DEPARTMENT OF VETERANS AFFAIRS

SERVING OUR NATION'S VETERANS AS "ONE VA"

ANNUAL ACCOUNTABILITY REPORT
FISCAL YEAR 2000

OUR NATION HONORS
HER SONS AND DAUGHTERS
WHO ANSWERED THE CALL
TO DEFEND A COUNTRY
THEY NEVER KNEW
AND A PEOPLE
THEY NEVER MET!

Cover and quote in recognition of the 50th Anniversary of the Korean War (1950-1953) and the Korean War Commemoration Committee.

A MESSAGE FROM THE SECRETARY OF VETERANS AFFAIRS

I am pleased to present the Department of Veterans Affairs (VA) Annual Accountability Report for FY 2000. This report articulates the progress VA has made during the fiscal year in accomplishing its mission in all of its program areas.

I am also pleased to announce our success in obtaining an unqualified opinion on the Department's Consolidated Financial Statements for Fiscal Year 2000. This represents a major milestone in improving financial management and reporting in VA and provides a sound baseline of information upon which to build in the future. It also continues the success achieved in Fiscal Year 1999.

The needs, preferences, and expectations of veterans directly shape the services VA provides. Our goal is to provide excellence in patient care, veterans' benefits and customer satisfaction.

The Veterans Health Administration (VHA) has set goals for each of our health care facilities. We are committed to these goals, which represent the direction VA is taking to make our health care the finest in the Nation. As a result of the change VA has made, our Department received an 80 percent satisfaction rate from its patients in a national survey.

The Veterans Benefits Administration (VBA), through our Benefits Delivery at Discharge initiative, now provides help for separating service members in their transition into civilian life. Separating service members can now receive a physical examination during their separation process and can file claims for disability compensation. This has reduced the time it takes to get these veterans into our system and to adjudicate their claims.

The National Cemetery Administration (NCA) recently set a new goal to ensure that our national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurture patriotism and honor service members and the sacrifice they made to preserve our freedom.

We have reformed our Department internally and are striving for high quality, prompt, and seamless service to veterans. We want veterans to see only *ONE VA* when they come to us for service and to receive that service promptly. Our Department's employees continue to offer their dedication and commitment to help veterans get the services they have earned. Our Nation's veterans deserve no less.

Anthony J. Principi

Anthony J. Principi

SECTION A: MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY – PERFORMANCE GOALS AND RESULTS

In FY 2000, with resources of $50.9 billion in obligations and nearly 203,000 full-time equivalent (FTE) employees, the Department of Veterans Affairs (VA) recorded significant accomplishments that brought us closer to attaining our long-term strategic goals. To help us gauge our progress, we established 116 performance goals at the beginning of the fiscal year, 29 of which were identified as critical to the success of the Department by VA's senior leadership.

VA's Performance Scorecard for FY 2000 summarizes how well we did in meeting the key performance goals directly associated with each of the strategic goals. This approach allows us to examine performance from a Departmental, or *One VA*, perspective.

Some of the most important successes attained in FY 2000 include:

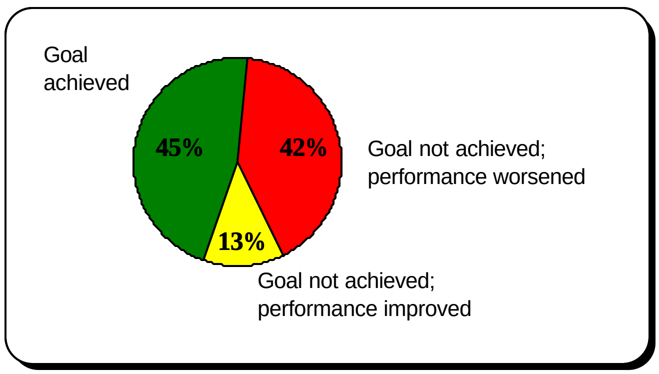
- VA provided health care to more patients than at any other time in our history of service to veterans and their families.
- The quality of health care provided by VA continued to improve, as the Department expanded its use of nationally recognized clinical guidelines for treating patients with chronic diseases.
- At the same time that more patients were provided high-quality health care, the cost (per patient) of that care continued to decline.
- Among both inpatients and outpatients, the percentage who rated VA health care service as "very good" or "excellent" remained at a high level, particularly as compared to satisfaction levels among patients treated by the private sector.
- The Department made progress in improving access to health care, as a higher percentage of patients were seen within 20 minutes of their scheduled appointment at a VA health care facility.
- For the third consecutive year, the Department maintained at an extremely high level the proportion of medical research projects related to the health care of veterans or to fulfilling critical VA missions.
- VA continued to enhance the quality of care through an extensive education and training program involving health care students and residents.
- For the second year in a row, VA registered dramatic improvement in telephone service, as evidenced by the low abandoned call and blocked call rates.
- VA reduced the average length of time it takes to process veterans' appeals of the Department's decisions on compensation and pension claims.
- For the second year in a row, VA exceeded its annual target for rehabilitating disabled veterans by returning them to employment.
- The Department made significant progress in developing program outcomes for the compensation, pension, and insurance programs.

- The percentage of veterans served by a burial option in a national or State veterans cemetery within a reasonable distance of their residence continued to grow.
- An increasing share of respondents rated the quality of service provided by national cemeteries as "excellent."
- Satisfaction with the appearance of national cemeteries remained at a very high level.
- The Department received an unqualified opinion from the Office of Inspector General on the FY 2000 consolidated financial statements.

Performance remained noticeably off track in the timeliness and accuracy of processing claims for compensation and pension benefits. Claims processing has become increasingly complex because of new legislation and regulatory changes. The Department remains committed to improving the timeliness and accuracy of claims processing and has developed strategies for accomplishing future performance goals.

SUMMARY OF PERFORMANCE ON KEY PERFORMANCE GOALS

VA's senior leadership identified 29 performance goals considered critical to the success of the Department. Some of these deal with program outcomes; others pertain to the management of our programs. FY 2000 data are available for all but five of these key performance goals.



The Department achieved 11 of the 24 key performance goals for which we had FY 2000 data. For 3 of the 13 performance goals we did not meet, actual performance in FY 2000 was better than that reported in FY 1999.

We were not able to collect data in a format that provided information on the percent of patients able to obtain a primary care appointment or specialty appointment within 30 days. We are still refining the data collection vehicles to capture the information in an appropriate format. We expect to have data on these two performance measures during FY 2001.

We are still in the process of identifying the desired outcomes and supporting performance measures for three of our programs—compensation, pension, and insurance. We are working jointly with our key stakeholders in Congress, at the Office of Management and Budget (OMB), and among veterans service organizations in developing this information.

KEY PERFORMANCE RESULTS BY STRATEGIC GOAL

STRATEGIC GOAL 1: *Restore the capability of disabled veterans to the greatest extent possible and improve the quality of their lives and that of their families.*

We use eight key performance goals to gauge our progress toward achieving this strategic goal, which focuses on benefits and services for disabled veterans. FY 2000 data for one of these key performance goals—compensation program outcomes—are being developed. Of the remaining seven key performance goals, we achieved three.

For issues relating to compensation and pension, telephone service to veterans continued to improve during FY 2000. We reduced the abandoned call rate (caller gets through but hangs up before speaking with a VA representative) from 9 percent to 6 percent. Also, we dramatically improved the blocked call rate (caller gets a busy signal) from 27 percent to 3 percent.

During FY 2000, the number of veterans who were rehabilitated was over 10,600; 65 percent of service-disabled veterans who exited a vocational rehabilitation program acquired and maintained suitable employment, a 12 percent increase over FY 1999. In FY 2000, the VA program responsible for helping veterans with service-connected disabilities to achieve suitable employment, or to enhance their ability to function independently in the home or community, was renamed the Vocational Rehabilitation and Employment program. This change more clearly states the program's focus on employment.

During FY 2000, the national accuracy rate in processing the Department's most important types of claims for compensation and pension benefits (i.e., rating-related actions) fell to 59 percent, a figure well below the target level of 81 percent. To reduce accuracy problems, the Department is working to improve how it shares best practices throughout VA's regional offices.

VA measures satisfaction with the way claims for compensation and pension are handled. FY 2000 customer satisfaction data show that only 56 percent of claimants were "very satisfied" or "somewhat satisfied," a figure below the performance target of 65 percent. There has been very little change in performance on this measure during the last 5 years, due at least in part to challenges associated with improving the timeliness with which these claims are processed.

Our current performance in the timeliness of claims processing, especially rating-related actions, is unacceptable. For FY 2000, the average for processing rating-related actions was 173 days, 13 days higher than the target level of performance. Rating-related actions, including claims for original compensation and original pension benefits, represent the most complicated and time-consuming work confronting regional office staffs. Due to new legislation and complex regulatory changes affecting the manner in which compensation and pension claims are processed, we expect performance to worsen during FY 2001.

We also fell short of meeting our FY 2000 performance target for appeals resolution time, which measures the overall length of time it takes VA to handle all types of claims, including cases that are appealed to the Board of Veterans' Appeals. Although we missed our target by 12 days, this performance reflects an improvement of 63 days, or 8.5 percent, from our FY 1999 performance.

STRATEGIC GOAL 2: *ENSURE A SMOOTH TRANSITION FOR VETERANS FROM ACTIVE MILITARY SERVICE TO CIVILIAN LIFE.*

We did not meet the four key performance goals relating to achievement of this strategic goal in FY 2000. The Montgomery GI Bill (MGIB) usage rate remained about the same, at 55 percent.

Veterans use their VA education benefit as one important means of readjusting to civilian life. The MGIB allows them the opportunity to achieve educational or vocational objectives that might not have been attained had they not entered military service.

The timeliness of processing education claims deteriorated during FY 2000. While our plan was to process original education claims in no more than 26 days, it took an average of 36 days. The average number of days needed to process supplemental education claims was 22 days, or 5 days longer than the performance target.

Although we did not meet our goal to assist veterans who are in default on a VA-guaranteed home mortgage, as measured by the Foreclosure Avoidance Through Servicing (FATS) ratio, the variance from plan is not as great as it might appear. The actual level of achievement (30 percent) reflects a modification in the method of calculating the ratio, without changing the performance target (39 percent). Prior to FY 2000, the different means to avoid foreclosure were weighted to favor some means over others. Each of the means is now given equal weight.

STRATEGIC GOAL 3: *HONOR AND SERVE VETERANS IN LIFE AND MEMORIALIZE THEM IN DEATH FOR THEIR SACRIFICES ON BEHALF OF THE NATION.*

VA uses several key performance goals to determine how well we are achieving this strategic goal. FY 2000 data are not available for 4 of these goals—the percentage of patients able to obtain a primary care appointment or specialty appointment within 30 days; and outcomes for VA's pension and insurance programs.

We achieved 5 of the other 10 key performance goals; for 2 of the 5 key performance goals we did not meet, performance during FY 2000 was better than that reported in FY 1999.

During the last 4 years, the share of inpatients and outpatients rating VA health care service as "very good" or "excellent" has remained stable at about two-thirds. The inpatient and outpatient satisfaction levels recorded during FY 2000, although below the performance target of 67 percent, still indicate a very high level of satisfaction with VA health care. This is supported by results from a National Partnership for Reinventing

Government (NPR) study using the American Customer Satisfaction Index (ACSI) as a national indicator of customer evaluations of the quality of goods and services. The FY 2000 ACSI for VA outpatient care is 78 on a scale of 0 to 100. For the second consecutive year, VA outpatient care ranks above private sector hospitals, whose ACSI score is 71. In addition, the VA score is higher than the ACSI of 72 recorded by all Americans rating their health care services.

Although the Department did not meet its FY 2000 target—that 75 percent of patients would be seen within 20 minutes of their scheduled appointment at VA health care facilities—the actual performance level of 70 percent was an improvement over the 68 percent registered during FY 1999.

VA uses two key performance measures to assess the quality of health care delivery—the Chronic Disease Care Index (CDCI) and the Prevention Index (PI). These indices measure the degree to which the Department follows nationally recognized guidelines for the treatment and care of patients.

The CDCI focuses on the care of patients with ischemic heart disease, hypertension, chronic obstructive pulmonary disease, diabetes mellitus, and obesity. During FY 2000, VA improved its score by one point on the CDCI to 90 percent.

The PI focuses on primary-prevention and early-detection recommendations for eight diseases or health factors that significantly determine health outcomes: pneumococcal pneumonia, influenza, tobacco consumption, and alcohol consumption; screenings for colorectal cancer, breast cancer, cervical cancer, and prostate cancer. Although VA did not meet the performance target of 89 percent, the PI of 81 percent was the same as last year, and has more than doubled since 1996.

We achieved another of our key performance goals by improving our efficiency in providing health care services. Using constant dollars, the average cost (obligations) per patient was $4,470, which is 2.5 percent below the FY 1999 figure of $4,585. In addition, we succeeded in providing health care to more patients. VA treated 3,817,300 unique patients (including 3,505,000 veterans) in FY 2000—6.8 percent above the number for FY 1999 and an increase of 21.5 percent over the last 3 years.

VA did not meet its performance goal to increase the proportion of the medical care operating budget derived from medical cost recoveries and other sharing revenues. The rate of recovery in FY 2000, 3.4 percent, fell just short of the FY 2000 target of 3.7 percent and was slightly behind last year's rate of 3.8 percent.

The percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence increased to 75.2 percent in FY 2000. This increase reflects the opening of three new national cemeteries and four new state veterans cemeteries.

VA uses visitor comment cards to obtain feedback from customers on their satisfaction with the quality of service provided by national cemeteries. In FY 2000, VA increased to

88 percent the number of respondents who rated the quality of service provided by national cemeteries as "excellent."

STRATEGIC GOAL 4: ***CONTRIBUTE TO THE PUBLIC HEALTH, SOCIOECONOMIC WELL BEING AND HISTORY OF THE NATION.***

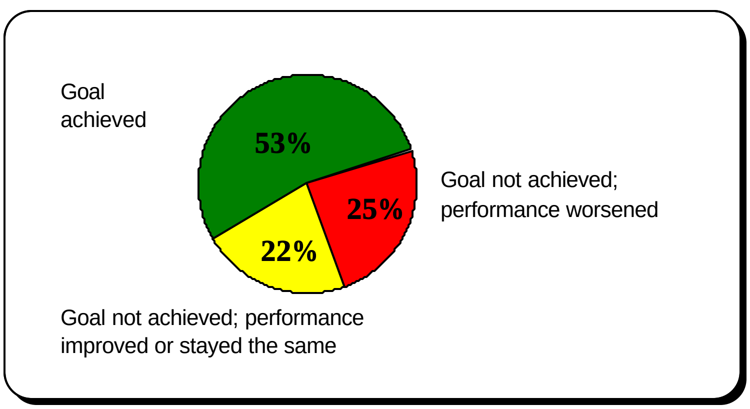
VA met all three key performance goals relating to this strategic goal in FY 2000. Since FY 1998, VA has maintained at 99 percent the proportion of medical research projects demonstrably related to the health care of veterans or to other Departmental missions. All research proposals are submitted through a peer review process. Those projects with VA health care relevance were consistently selected for funding before projects that lacked demonstrable relevance. In keeping with our tradition, VA's research program benefits not only veterans, but also the entire Nation and the international community.

VA conducts an extensive education and training program to enhance the quality of care provided to veterans within the VA health care system. FY 2000 marks the third consecutive year in which VA has exceeded its performance goal to increase the percent of residents trained in primary care.

In FY 2000, satisfaction with the appearance of national cemeteries remained at a very high level, as 82 percent of respondents completing visitor comment cards rated cemetery appearance as "excellent."

ALL PERFORMANCE GOALS

In addition to the key performance goals identified by VA's senior leadership as critical to the success of the Department, program managers established other performance goals at the beginning of FY 2000. Collectively, these performance goals demonstrate the full scope of the Department's programs and operations. A total of 116 performance goals were set at the start of the fiscal year. VA met 53 percent of the performance goals for which we had data. For another 22 percent, the Department's performance was equal to, or better than, that recorded last year.



SUMMARY OF PROGRAM EVALUATIONS

During FY 2000, Klemm Analysis Group completed a comprehensive evaluation of three education programs: the Montgomery GI Bill program (MGIB), the Montgomery GI Bill--Selected Reserves program (MGIB-SR), and the Survivors' and Dependents' Educational Assistance program (DEA). In general, the programs show success in meeting the intended purposes of the legislation, while returning over $2 to the economy for every $1 in taxpayer funding. The MGIB, the centerpiece of VA education programs, has echoed the success of the more comprehensive World War II-era GI Bill of Rights. Compared to those who have not taken advantage of the MGIB, veterans who furthered their education under the program have lower unemployment, increased career and education goals, and higher earnings. However, the evaluation showed that VA education benefits do not cover all education costs at all schools, do not reflect the increased diversity in available education and training programs, and are not communicated effectively. The consultant's findings generated specific recommendations under three broad categories:

- Raise the level of VA education benefits. (A significant benefit increase of about 20 percent was enacted after the evaluation.)
- Become more customer-focused by embracing broader definitions of education and flexible payment options, and by employing technology tools that are right for the times. (Significant flexibilities were enacted after the evaluation.)
- Lead the communication effort in providing information to beneficiaries, ensuring that messages are correct, consistent, and coordinated across agencies of the Federal Government.

VA'S PERFORMANCE SCORECARD FOR FY 2000

Performance Measure	Fiscal Year 1996	1997	1998	1999	2000	2000 Plan	Was the Goal Achieved? Yes	No
STRATEGIC GOAL 1: ***RESTORE THE CAPABILITY OF DISABLED VETERANS TO THE GREATEST EXTENT POSSIBLE, AND IMPROVE THE QUALITY OF THEIR LIVES AND THAT OF THEIR FAMILIES***								
National accuracy rate for core rating work	N/A	N/A	64%	68%	59%	81%		✔
Percent of compensation and pension claimants who are satisfied with the handling of their claim	60%	58%	57%	57%	56%	65%		✔
Average days to process rating-related actions on compensation and pension claims	100	94	128	166	173	160		✔
Abandoned call rate for compensation and pension	10%	9%	13%	9%	6%	10%	✔	
Blocked call rate for compensation and pension	48%	45%	52%	27%	3%	15%	✔	
Appeals resolution time (in days)	565	628	686	745	682	670		✔🡅
Vocational rehabilitation and employment rehabilitation rate	N/A	N/A	42%	53%	65%	60%	✔	
Compensation and dependency and indemnity compensation (DIC) program outcomes	N/A	N/A	N/A	N/A	N/A	N/A		
STRATEGIC GOAL 2: ***ENSURE A SMOOTH TRANSITION FOR VETERANS FROM ACTIVE MILITARY SERVICE TO CIVILIAN LIFE***								
Montgomery GI Bill usage rate	49%	53%	54%	56%	55%	57%		✔
Average days to complete original education claims	29	19	25	26	36	26		✔
Average days to complete supplemental education claims	19	11	15	16	22	17		✔
Foreclosure avoidance through servicing (FATS) ratio	43%	41%	37%	38%	30%	39%		✔
STRATEGIC GOAL 3: ***HONOR AND SERVE VETERANS IN LIFE AND MEMORIALIZE THEM IN DEATH FOR THEIR SACRIFICES ON BEHALF OF THE NATION***								
Percent of patients who rate VA health care service as very good or excellent:								
Inpatient	65%	65%	65%	65%	66%	67%		✔🡅
Outpatient	61%	63%	65%	65%	64%	67%		✔
Percent of patients who are able to obtain a non-urgent appointment with a specialist within 30 days of referral	N/A	N/A	N/A	N/A	N/A	N/A		
Percent of patients who are able to obtain a primary care appointment within 30 days	N/A	N/A	N/A	N/A	N/A	N/A		
Percent of patients seen within 20 minutes of scheduled appointment at VA health care facilities	51%	55%	66%	68%	70%	75%		✔🡅
Chronic disease care index	44%	76%	85%	89%	90%	89%	✔	
Prevention index	34%	67%	79%	81%	81%	89%		✔
Percent reduction in average cost (obligations) per patient	N/A	N/A	-10%	-16%	-18%	-16%	✔	
Percent increase in number of unique patients treated	N/A	N/A	9%	15%	21.5%	21%	✔	
Percent of medical care operating budget derived from alternative revenue streams	N/A	0.4%	4.3%	3.8%	3.4%	3.7%		✔
Pension program outcomes	N/A	N/A	N/A	N/A	N/A	N/A		
Insurance program outcomes	N/A	N/A	N/A	N/A	N/A	N/A		
Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	65.3%	65.7%	65.5%	67.0%	75.2%	75.1%	✔	
Percent of respondents who rate the quality of service provided by national cemeteries as excellent	81%	86%	85%	84%	88%	88%	✔	
STRATEGIC GOAL 4: ***CONTRIBUTE TO THE PUBLIC HEALTH, SOCIOECONOMIC WELL BEING AND HISTORY OF THE NATION***								
Research projects relevant to VA's health care mission	87%	97%	99%	99%	99%	99%	✔	
Percent of residents trained in primary care	39%	39%	41%	46%	48%	47%	✔	
Percent of respondents who rate the appearance of national cemeteries as excellent	73%	78%	77%	79%	82%	82%	✔	

🡅 Indicates those measures for which there was an improvement in the FY 2000 performance over the FY 1999 performance.

FINANCIAL HIGHLIGHTS

Pursuant to the requirements of 31 U.S.C. 3515 (b), VA's financial statements have been prepared to report the financial position and results of operations of the Department. The audit of the statements was performed by Deloitte & Touche, LLP, under the direction of the Office of Inspector General. The financial statements received an unqualified opinion from the auditors in FY 2000, continuing the success first achieved in FY 1999. While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

VA's ten major programs operated at a net cost of $107.3 billion in FY 2000 compared with a net cost of negative $51.1 billion in FY 1999. The calculation of the actuarial liability for future years' veterans compensation and burial benefits, which increased by $62.5 billion during FY 2000 and decreased by $94.9 billion in FY 1999, heavily impacts each year's cost. This estimate is influenced by fluctuations in the discount rate used to compute the present value of this liability. Excluding the change in this actuarial liability from the net cost would result in an adjusted net cost for VA's ten programs of $44.8 billion and $43.8 billion for Fiscal Years 2000 and 1999, respectively.

In FY 2000, the liability for future claims under the Federal Employees' Compensation Act (FECA) and contingencies for claims for medical malpractice increased due to changes in the methods used to estimate the amounts. The Department of Labor, which is responsible for administering FECA, used a new model to project the actuarial estimate for future workers' compensation benefits. The increased liability projected by the new model is substantially due to the inclusion of claims incurred but not reported and the extension of the duration of the model. Also, the estimate for contingent liability for future medical malpractice payments was revised to reflect outyear payments including legal and other overhead costs. Generally, medical malpractice claims are funded by the Judgment Fund, which is maintained by the Department of the Treasury.

Examining the assets on VA's balance sheet reveals very little change over the years. Veterans benefit programs, principally home loans and veterans life insurance policy loans, dominate receivables. A change in VA policy for Property, Plant and Equipment (PP&E), which raised the dollar threshold for the capitalization of personal property, caused a decrease in the capitalized value reported for PP&E. In addition, the amounts reported for patient and third-party insurers' medical debt increased due to a change in billing methodology. VA now bills for medical services based on "reasonable charges" rather than "reasonable cost." Amounts collected under this program are retained by VA and used for medical care purposes.

On VA's Consolidated Balance Sheet, liabilities covered by budgetary resources primarily consist of insurance liability reserve balances and liabilities for loan guarantees under the Credit Reform Act.

The Department continued its aggressive use of the governmentwide commercial purchase card program. Purchase card disbursements for FY 2000 were over $1.3 billion, covering 2.2 million transactions and earning VA credit card refunds from Citibank totaling over $13 million.

For the period January through September 2000, $3.65 million in benefit offsets were made for delinquent debts over 90 days old and $5.85 million was collected through the Treasury Offset Program.

Through the use of a private contractor, $8.9 million, with a $6.9 million benefit to VA, was recovered during the period June 1997 through March 2000.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The auditors report on internal controls continues to identify information technology security controls as a material weakness and adds the integrated financial management system and controls issue as a new material weakness. The report also discusses other reportable conditions that, while not considered material weaknesses, are significant system or control weaknesses that could adversely affect the recording and reporting of the Department's financial information. These reportable conditions address the need for improving application programming and operating system change controls, business continuity and disaster recovery planning, operational oversight, and other matters.

The auditors report on compliance with laws and regulations also concludes that the issues concerning an integrated financial system, and information technology security controls contained in the internal control section indicate noncompliance with the requirements of the Office of Management and Budget's (OMB) Circular A-127, *Financial Management Systems*, which incorporates by reference OMB Circular A-123, *Management Accountability and Control*, and A-130, *Management of Federal Information Resources*. Further, the report concludes that departure from OMB requirements are instances of substantial noncompliance with Federal financial management system requirements of the Federal Financial Management Improvement Act.

COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

STATEMENT OF WRITTEN ASSURANCE

A review and evaluation of senior administrative and program managers' annual assessment provides significant assurance that VA's management controls and financial systems adhere to the requirements of the Federal Managers' Financial Integrity Act. Full compliance of VA's financial systems will depend on the completion of the Veterans Benefits Administration's systems modernization efforts.

WEAKNESSES CLOSED DURING FY 2000

EDUCATION SYSTEM - CHAPTER 1606 -The system to support the Montgomery GI Bill selected reserve payments was outdated. The redesigned system was installed in February 2000. The new system includes internal controls, a fully acceptable accounting system, an audit trail, and full processing edits.

***LOAN SALE PROGRAM MANAGEMENT* -** Mechanisms to account for loans sold (after they leave VA) were not in place. VA needed to develop systems to account for losses on loans, track cash reserves, and establish individual reserves, in accordance with Credit Reform requirements. All work to resolve this weakness has been completed.

WEAKNESSES CARRIED OVER INTO FY 2001

***FUND BALANCES WITH TREASURY RECONCILIATION* -** An Inspector General report cited improvements needed in VA's SF-224 reconciliation processes. This was a new weakness for FY 2000. The targeted completion date is FY 2001.

***HOUSING CREDIT ASSISTANCE PROGRAM* -** The Inspector General found internal control weaknesses in direct loan accounting, loan sales accounting, and Credit Reform subsidy reporting. A request for closure has been sent to VA's Office of Inspector General, and we expect this weakness to be closed during FY 2001.

***LOAN GUARANTY FINANCIAL MODERNIZATION* -** The Loan Guaranty system lacks up-to-date interfaces between manual and automated components. Progress is being made, and the targeted correction date is FY 2001.

***CREDIT REFORM* -** VA needed to improve the integration of VBA's systems and procedures to support Credit Reform initiatives affecting loan programs. All Loan Guaranty general ledgers have been converted to the Financial Management System (VA's core accounting system). A request for closure has been sent to VA's Office of Inspector General, and we expect this weakness to be closed during FY 2001.

***LOAN GUARANTY - LOAN SERVICE AND CLAIMS* -** The VBA loan service and claims component of the loan guaranty program was not able to optimally manage the supplemental servicing of claims. All corrective actions have been completed, and we expect this weakness to be closed during FY 2001.

***INADEQUATE CONTROLS OVER ADDICTIVE DRUGS* -** A GAO report concluded that VA's controls over a large number of prescription drugs were inadequate. At the time of GAO's review, VA used manual controls to track prescription drugs. VHA is in the process of implementing a new software system to track drug dispensation at every bed in every medical facility. The targeted correction date is FY 2001.

***COMPENSATION AND PENSION--LACK OF ADAPTABILITY AND DOCUMENTATION* -** The C&P System is outdated and needs to be replaced. The C&P rating module is currently deployed and operational. All VETSNET efforts are on track with the implementation schedule. The targeted correction date is FY 2002.

***INFORMATION SYSTEMS SECURITY* -** The Department's assets and financial data are vulnerable to error or fraud because of weaknesses in information security management, access to controls and monitoring, and physical access controls. Progress on this weakness was made during FY 2000, and the targeted correction date is FY 2003.

***PAID ACCOUNTING INTEGRATED DATA (PAID)* -** VA's central payroll and personnel system, PAID, lacks the ability to expand. HR LINK*$,* the Department's initiative to replace PAID with a modern human resources and payroll system, became the basis for correcting this weakness, in lieu of investing in expensive modifications to existing systems. The Manager Self Service prototype of the new delivery system began during FY 2000. The targeted completion date is currently under review.

COMPLIANCE WITH THE IG ACT AMENDMENTS OF 1988

VA collected $8.8 million in disallowed costs from VA contracted suppliers.

Departmentwide, 28 reports with at least 1 unimplemented recommendation were pending final action for over 1 year. This represents a significant reduction from last fiscal year when 36 reports were pending final action.

Delays were incurred in implementing recommendations as a result of the development and implementation of new regulations or directives, collection and/or write-off activities, and system changes.

DISALLOWED COSTS AND FUNDS TO BE PUT TO BETTER USE
REPORTING PERIOD OCTOBER 1, 1999 – SEPTEMBER 30, 2000

(DOLLARS IN MILLIONS)

	Disallowed Costs		Funds Put to Better Use	
	Reports	Value	Reports	Value
Balance 9/30/1999	7	$ 1.9	14	$ 880.0
New Reports	30	7.7	14	216.4
Total	37	9.6	28	1,096.4
Completed	27	8.8	10	256.9
Balance 9/30/2000	10	$ 0.8	18	$ 839.5

OIG REPORTS PENDING FINAL ACTION OVER ONE YEAR AFTER MANAGEMENT DECISIONS HAVE BEEN MADE

	FY 95	FY 96	FY 97	FY 98	FY 99	FY00
# Reports	86	80	65	42	36	28

PROMPT PAYMENT ACT

The Department aggressively used the governmentwide commercial purchase card program. During FY 2000, over 2.2 million transactions were processed, representing almost $1.3 billion in purchases. The electronic billing and payment process for centrally billed card accounts earned over $13 million in credit card refunds, an increase of approximately 32 percent over FY 1999.

In FY 2000, nearly 96 percent of VA invoices were paid on time. The 96 percent on-time rate represents a 1 percent increase over the 95 percent on-time rate in the previous year. VA processed more than 4.7 million invoices representing nearly $8 billion, subject to the Prompt Payment Act. The number of invoices processed has increased by 500,000, or 12 percent from last year. Interest penalties of $1.5 million were slightly higher than last year's $1.4 million.

To improve payment performance, we emphasized the following efforts:

VA's Travel Management Centers (TMC) serve veterans and employees who travel frequently. The billings are transmitted electronically from each TMC, and payment is sent through the Department of the Treasury's Electronic Certification System daily. In FY 2000, the TMC program processed 103,000 airline tickets totaling $26 million for veterans and employee travel. The Government Executive Magazine awarded VA the 2000 Travel Manager of the Year Award. This award recognizes agencies showing innovation in the area of travel processing improvement and reengineering.

VA implemented a prime vendor payment system, which automates payments under a nationwide prime vendor centralized purchasing contract. For FY 2000, VA converted 135 VA medical centers to our prime vendor system, with 419,784 transactions processed electronically, totaling more than $1.9 billion.

VA's Financial Services Center (FSC) staff developed an application to provide vendor payment history on the Internet. The application stores 90 days of information on invoices. Currently, 733 vendors are using the Vendor Inquiry System Internet download procedures to assist them with payment identification.

As of September 30, 2000, VA converted 57 field stations to the fast pay procedures for certified invoices under $1,000. The FSC has continued its statistical sampling FastPay program for payment of invoices under $2,500 and has encouraged field stations to forward all invoices to the FSC for payment. During FY 2000, VA established an Intranet Online Invoice Certification process, which allows invoices to be certified electronically and sent for payment. VA received the E-Gov 2000 Trailblazer Award for initiating the exceptional solution within the e-government community.

FUTURE PLANS

VA is planning a dramatic move to replace its patchwork of computer systems and correct its FMFIA material system weaknesses with a single commercial financial management and logistics system. This effort, called the core Financial and Logistics System (coreFLS), is expected to be completed by the end of 2003 and will be a comprehensive management information system that is integrated with every aspect of VA's business.

WHO WE SERVE
OUR CONTINUOUS FOCUS ON THE VETERAN

This section of the Accountability Report presents social and demographic data on the veteran population. The data comparing veterans and non-veterans were obtained from the Current Population Survey (CPS) through a contract with the Bureau of the Census, and with the approval of the Department of Labor, sponsor of the survey. Data on the number of veterans by age, sex, period of service, and state of residence are from VA official estimates and projections.

SUMMARY

Beginning with our Nation's struggle for freedom more than 2 centuries ago, approximately 42 million men and women have served their country during wartime periods. Most (85 percent) served in one or more of the four major conflicts of the 20th century. Today, an estimated 25.5 million veterans are living in the United States, Puerto Rico, and overseas. Of these, 19 million veterans served during wartime.

NUMBER OF VETERANS AND PERIODS OF SERVICE

The veteran population continued to decrease in FY 2000 because of the large number of veteran deaths (657,000 between October 1, 1999, and September 30, 2000). Vietnam Era veterans account for the largest segment of the present veteran population.

AGE OF VETERANS

At the end of FY 2000, the median age of all living veterans was 57.4 years. Veterans under 45 years of age constituted 22 percent of the total veteran population; veterans 45 to 64 years old, 40 percent; and veterans 65or more years old, 38 percent.

The age distribution of the veteran population by 5-year age group is most highly concentrated in the 50-54 and 55-59 year age groups. These consist mostly of Vietnam era veterans. The 70-74 year age group is the third largest.

The number of veterans 85 years of age or older totals over 510,000. Ten years ago, there were as few as 155,000 veterans in this range. This large increase in the oldest segment of the veteran population has had significant ramifications on the demand for health care services, particularly in the area of long-term care.

Approximately 25 percent of the male resident population 20 years and older were veterans at the end of FY 2000. However, this percentage varied by age. For example, veterans constituted 67 percent of all males, ages 70 to 74; 37 percent of all males, ages 50 to 54; and nearly 37 percent of all males, age 85 or older. This "age wave" is one of the consequences of the aging veteran population. When compared to United States males in general, male veterans are increasingly more elderly, with greater representation in the oldest age groups. This is true even as the total number of male veterans is continuing a long decline relative to the total number of United States males. The veteran "age wave" is expected to continue for some time; by the year 2010, veterans will comprise 60 percent of all males age 85 or older.

FEMALE VETERANS

In FY 2000, the female veteran population of 1.4 million constituted 5.5 percent of all veterans living in the Unites States, Puerto Rico, and overseas. The female veteran population as a percentage of all veterans is expected to increase, because the number of former military service women continues to grow. Generally, the demographic profile of the female veteran population stands in contrast to that of the male veteran population (e.g., differences in age and period of service).

The median age of female veterans is 13.8 years younger than that of male veterans, 44.2 versus 58.0. The growing involvement of women in the military in recent years is reflected in period-of-service differences between male and female veterans. About 58 percent of all female veterans served during the post-Vietnam era.

STATE OF RESIDENCE

Veterans in just three states—California, Florida, and Texas—comprised nearly 23 percent of the veterans living in the United States and Puerto Rico at the end of FY 2000. The three next largest states in terms of veteran population are New York, Pennsylvania, and Ohio. These 6 states account for more than 37 percent of the total veteran population.

At the other end of the scale, the two least populous states in terms of veteran population—Wyoming and North Dakota—and the District of Columbia collectively accounted for less than 1 percent of the total.

EDUCATION

Education plays a critical role in the social and economic achievement of America's veterans. In FY 2000, the educational attainment of male veterans was slightly above that of male non-veterans. Only 12 percent of male veterans 20 or more years old had not graduated from high school, compared with 17 percent of male non-veterans. A higher proportion of male veterans than non-veterans had either completed high school and not attended college (34.7 percent versus 31.1 percent) or completed one to three years of college (29.8 percent versus 25.0 percent). Male non-veterans, however, were more likely than male veterans to have completed four or more years of college (26.6 percent versus 23.5 percent). Male veterans were more likely to have at least some college than their non-veteran counterparts (53.3 percent versus 51.6 percent).

Female veterans fared much better than either male veterans or their female non-veteran counterparts in terms of educational attainment. Among female veterans, 71.4 percent had at least some college education; among male veterans, the figure is 53.3 percent; among female non-veterans, the figure is 50.1 percent.

MAJOR MANAGEMENT CHALLENGES

MAJOR MANAGEMENT CHALLENGES

MANAGEMENT CHALLENGES IDENTIFIED BY VA'S OFFICE OF INSPECTOR GENERAL

The following is an update prepared by VA's Office of Inspector General (OIG) summarizing the ten most serious management problems facing VA, and assessing the Department's progress in addressing these problem areas. Although VA does not have specific quantifiable goals and performance measures in place to help resolve these problem areas, the Department does have corrective action plans in various stages of implementation. Progress will be monitored until each management challenge has been successfully addressed. Department officials have stated their agreement with the conditions the OIG reported. (On pages 89 to 101, the word "we" refers to the OIG.)

1. HEALTH CARE QUALITY MANAGEMENT (QM) AND PATIENT SAFETY

Of the many challenges facing VA, one of the most serious, and potentially volatile, is the need to maintain a highly effective health care QM program. The issues that punctuate the importance of this challenge are VA's need to ensure the high quality of veterans' health care and patient safety, and to demonstrate to Department overseers that VA health care programs are effective.

One example of a particularly difficult and complex undertaking is the need to provide safe, high quality, patient care in an environment that is rapidly evolving from the traditional specialty-based inpatient care to the ambulatory care/outpatient primary care setting. The more rapid pace of ambulatory care presents increased opportunities for clinicians to make errors in treating patients. The health care industry, including VHA, has not yet devised effective ways to quickly or accurately identify and correct such treatment errors. Thus, while patients are less vulnerable to hospital-acquired pathogens when they receive care in the ambulatory setting, they are increasingly vulnerable to incurring other medical treatment errors and threats to their safety.

Part of the problem is VHA management's inability to provide strong and consistent clinical QM leadership at all levels of the organization. The devolution of management authority to the Veterans Integrated Service Networks (VISNs) and individual VA medical centers (VAMCs), coupled with resource reductions associated with the Veterans Equitable Resource Allocation (VERA) model, have led to greatly reduced numbers of clinical managers who are available to identify, evaluate, and facilitate the correction or elimination of clinical quality and patient safety issues. To complicate this problem, VHA managers have not devised any coherent functional descriptions and have not prescribed any consistent staffing patterns for medical center QM departments throughout the country. Thus, no two VAMC QM departments focus on the same issues in the same way. These functional and resource disparities severely impede the Department's ability to identify or measure the extent of possibly widespread unsatisfactory clinical care practices and to devise procedures to correct or eliminate such problems.

A fully functional QM program should be able to monitor patients' care to ensure their safety and to safeguard, to the extent possible, against the occurrence of inadvertent adverse events. This risk management function is intended to assure patients that they will be cared for in a manner that promotes their maximum safety while providing them with optimal medical treatment. Although VHA managers are vigorously addressing the Department's risk management and patient safety procedures in an effort to strengthen patients' confidence while they are under VA care, patients continue to be injured in the course of their treatment. In particular, mentally or cognitively impaired patients continue to disappear from VAMCs, and several of these patients have died before searchers could locate them. Six VISNs have developed various patient safety initiatives to address this issue, but resolution of the problem does not appear to be imminent.

***CURRENT STATUS*:** This year, VHA responded to many of our recommendations to improve patient safety and QM activities. Although VHA has generally been responsive to our recommendations, some of the recommendations have gone unimplemented. We continue to work with VHA toward resolving the issues. To illustrate, in February 1998, we recommended that VHA determine whether its medical centers are effectively complying with policy and using the National Practitioners Data Bank during their credentialing and privileging reviews. VHA concurred with the recommendation and informed us that their Office of the Medical Inspector (OMI) would complete an internal review; however, this recommendation remains unimplemented. OMI recently received additional resources to complete this and other tasks, and we will continue to track this until all issues are resolved.

Conversely, VHA's establishment of the National Center for Patient Safety (NCPS) and national training on the principles of root-cause analysis represent an aggressive response to recommendations we made in past OIG Office of Healthcare Inspections reports. The focus that NCPS has placed on the issue of patient safety and on resolving long-time patient vulnerabilities will go a long way toward making sure that VA patients receive proper care in a safer environment.

In our report on VHA's policies and procedures for managing disappearing patients and associated search procedures, we made seven recommendations to improve VHA missing patient policies and controls. The Under Secretary for Health has concurred with our recommendations and provided responsive implementation plans.

We continue to review certain aspects of QM activities, specifically patient care and safety issues in VHA's community-based outpatient clinics (CBOCs), as part of our Combined Assessment Program reviews. We focus on making sure that medical center QM managers are monitoring CBOC patient care and safety data, and that corrective actions and follow-up activities are effective. These efforts fulfill our oversight responsibility to ensure that patients receive the same quality care at the CBOCs that they receive at the medical center-based clinics.

2. RESOURCE ALLOCATION

Resource allocation continues to be a major public policy issue. VHA management is addressing staffing and other resource allocation disparities as part of various initiatives to restructure the VA health care system. Some of the most significant initiatives include:

RESOURCE ALLOCATION MODEL

VHA hopes to correct resource and infrastructure imbalances by changing the method used to fund VAMCs. This methodology, called the Veterans Equitable Resource Allocation (VERA) model, was phased-in during fiscal years 1997-1999. VERA allocates funding to the VISN level based on workload (patients treated), rather than providing incremental increases based on prior year allocations. Such allocations have resulted in reduced funding to some VISNs that have seen significant reductions in workload.

CLINICAL STAFFING REDUCTIONS AND ADJUSTMENTS

VHA has given VISN directors new authority to reduce physician levels in overstaffed specialties. Some networks have begun trimming and shifting staffing as part of consolidations, attrition, and reductions-in-force. VHA is also reducing and reallocating its 1,000 resident training positions. We will continue to monitor VHA's progress in improving the balance in the distribution of staffing and other resources.

IMPROVED MANAGEMENT INFORMATION/PERFORMANCE MEASUREMENT

In FY 1998, VHA began implementing a new cost-based data system to provide more useful performance measurement information on the resources (inputs) and workload produced (outputs) for clinical and administrative production units. Development of cost and performance measures for clinical and administrative activities will enable managers to evaluate their productivity and efficiency.

CURRENT STATUS: In FY 2001, we will begin an audit to determine whether VERA equitably distributes operating budgets, furnishes sufficient funding to meet medical care needs, provides all veterans equal access to care, and identifies opportunities for VHA to enhance its resource allocation methodology.

Our review of the Decision Support System (DSS) standardization found that the potential usefulness of DSS and its data was compromised because some medical center staff had diverged from the system’s basic structural standard. Where detected, such divergence had prevented medical center data from being accurately aggregated with data from facilities adhering to the standard. We were also concerned that undetected data divergences may have resulted in inaccurate data being aggregated into roll-up reports. Additionally, facilities diverging from the DSS structural standard could not perform a variety of analyses that adhering to the structural standard provides.

VHA’s installation of DSS was intended to provide the types of management information that would have met the intent of the audit recommendations. Control of DSS standardization has been assigned to VHA’s DSS Steering Committee and its Standardization Subcommittee. As of November 2000, implementation of the OIG recommendations regarding DSS standardization was still underway.

The OIG has an audit in progress to evaluate the process used by the Department to fill prescriptions written by private physicians and to quantify the number of priority veterans that use the Florida/Puerto Rico Veterans Integrated Network health care facilities for filling prescriptions. This work is expected to address the adequacy and availability of health care services in one VISN, result in recommendations that make additional resources available for the benefit of all enrolled veterans, and enhance the delivery of prescription services.

3. CLAIMS PROCESSING, APPEALS PROCESSING, AND TIMELINESS AND QUALITY OF COMPENSATION AND PENSION (C&P) MEDICAL EXAMINATIONS

VBA needs to continue improving the timeliness of benefits claims processing. Numerous studies, reviews, and audits have addressed timeliness and quality issues with VBA's C&P claims processing system, used for the annual administration of almost $23 billion in compensation and pension payments to veterans.

CLAIMS PROCESSING

For the past quarter century, VBA has struggled with timeliness of claims processing. Although some improvement has occurred in recent years, VBA still has a high workload backlog and takes an unacceptably long time to process claims. The inventory of pending compensation claims for FY 2000 averaged about 360,000; it took an average of 185 days for claims to be processed.

VBA has sought to address claims processing timeliness through improved training, organizational changes, and modernization efforts. Since 1996, the Department has completed two major reviews to devise ways to improve claims processing and restructure field operations. This effort was criticized by veterans service organizations, which were concerned that geographic reorganizations and consolidations would make it more difficult to provide veterans with effective representation.

***CURRENT STATUS*:** Because VA continued to fall short of achieving its claims processing goals, the Department is taking action to improve the accuracy of reported timeliness of claims processing. An OIG audit found that actual timeliness was well above reported timeliness. The Under Secretary for Benefits is taking aggressive action to assure that performance data covering benefits programs are accurately reported by all VA regional offices (VAROs).

Our 1997 "Summary Report on VA Claims Processing Issues" identified opportunities for improvement in the timeliness and quality of claims processing and in veterans' overall satisfaction with VA claims services. VBA is currently putting into effect its Business Processing Reengineering rules and the pension simplification team report that was highlighted in our audit report. The audit identified 18 regulatory changes considered necessary for full implementation of the Business Processing Reengineering. In response to the report recommendation, VBA has also developed an automated checklist to document evidence requests concerning each claim. The automated checklist is being used in the case management pilots at six VAROs. Unfortunately, VBA has not been able to take advantage of all these opportunities because of the long phase-in schedule projected for completing key improvements in processing claims. However, VA is firmly committed to implementing the remaining Business Processing Reengineering changes that have been evaluated and accepted.

APPEALS PROCESSING

Veterans have historically had to wait a long time to receive a decision on appeals of benefit claims. Large claims backlogs have continued to impact the Department's ability to provide veterans with timely service; in some cases, veterans have had to wait years for decisions on their claims. Increased appeals processing time has also resulted from the 1988 Judicial Review Act that established the U.S. Court of Appeals for Veterans Claims and expanded VA due process requirements. During FY 2000, the Board of Veterans' Appeals completed 34,028 appeal decisions.

***CURRENT STATUS*:** No Change.

TIMELINESS AND QUALITY OF C&P MEDICAL EXAMINATIONS

Disability benefit payments are based, in part, on interpretations of medical evidence by VBA disability rating specialists. That evidence is developed by VHA physicians, VHA-supervised physicians, or private contractors through examination of the claimant. Before receiving examination results, VBA cannot complete payment on claims. When a medical examination is not performed correctly, the veteran's claim is delayed until another examination is completed. This usually results in significant claim processing delays.

Our 1997 report, "Review of C&P Medical Examination Services," followed up on our 1994 recommendations to improve the timeliness of C&P examination services. We found that management had made some changes, but they had resulted in little improvement. We recommended that the Under Secretaries for Benefits and Health improve the quality and timeliness of C&P examinations by: (i) establishing performance measures for their field facilities with the objective of reducing the number of incomplete examinations; (ii) requiring VBA area directors and VHA VISN directors to monitor progress in reducing the percentage of incomplete examinations; (iii) requiring VBA and VHA directors to work together to reduce the number of incomplete examinations.

***CURRENT STATUS*:** VHA and VBA have implemented our recommendations. In addition, VBA is collecting data in conjunction with a self-initiated contract disability examination pilot project.

4. INAPPROPRIATE BENEFIT PAYMENTS

VBA needs to develop and implement an effective method to identify inappropriate benefit payments. Recent OIG audits found that the appropriateness of C&P payments has not been adequately addressed.

DUAL COMPENSATION OF VA BENEFICIARIES

A review of VBA procedures, in place to ensure disability compensation benefits paid to active military reservists were properly offset from their training and drill pay, determined the need for improvements to prevent dual compensation. We found that 90 percent of the potential dual compensation cases reviewed had not had their VA disability compensation offset from their military reserve pay. We estimated that dual compensation payments of $21 million were made between FY 1993 and FY 1995. If this condition is not corrected, estimated annual dual compensation payments of $8 million will continue. Dual compensation payments have occurred since at least FY 1993 because procedures established between VA and DoD were not effective, or were not fully implemented.

CURRENT STATUS: VBA implemented two recommendations, but has not completed implementing the recommendation to follow-up on the dual compensation cases (fiscal years 1993 through 1996) to ensure either VBA disability payments are offset or DoD is informed of the need to offset reservist pay. VBA has also submitted a legislative proposal to allow the concurrent payment of reservists' drill pay and VA disability compensation for reservists with less than 100 days of drill pay in 1 year.

PAYMENT TO INCARCERATED VETERANS

Our review of benefit payments to incarcerated veterans found that VBA officials did not implement a systematic approach to identify incarcerated veterans and dependents and adjust their benefits, as required by Public Law 96-385. A prior audit conducted in 1986 found that controls were not in place to cut off benefits to veterans when they were incarcerated. In that audit, we recommended that a systematic approach be applied, but actions were not taken to implement those recommendations.

According to the Department of Justice, Bureau of Justice Statistics, federal and state prison populations more than doubled between 1986 and 1995, from 522,100 to 1,085,400. In addition, about 4.6 million individuals have been incarcerated and about 4.1 million inmates have been released from federal and state prisons between 1986 and 1995.

The current evaluation included a review of 527 veterans randomly sampled from the population of veterans incarcerated in 6 states. Results showed that VAROs had not adjusted benefits in over 72 percent of the cases requiring adjustment, resulting in overpayments totaling $2 million. Projecting the sample results nationwide, we estimate that about 13,700 incarcerated veterans have been, or will be, overpaid about $100 million. If VBA does not establish a systematic method to identify these prisoners, additional overpayments totaling about $70 million will be made over the next 4 years to newly incarcerated veterans and dependents.

***CURRENT STATUS*:** Our recommendation that VBA enter into a matching agreement with the Social Security Administration (SSA) for prison records was implemented. However, our recommendations that VBA (i) identify and adjust the benefits of incarcerated veterans and dependents, (ii) establish and collect overpayments for released veterans and dependents that did not have their benefits adjusted, and (iii) establish a method to ensure that VAROs process identified cases timely and properly adjust benefits, are all unimplemented.

PAYMENT TO DECEASED BENEFICIARIES

A February 1998 audit of VBA's current procedures to terminate beneficiary C&P benefits, based on information about veterans' deaths received from SSA, found that VBA needs to develop and implement a more efficient method to identify deceased beneficiaries and to terminate their C&P benefits. Based on information about veterans' deaths received from SSA, audit results showed that only 156 of a sample of 281 veterans reported by SSA as deceased were, in fact, deceased. C&P benefit awards for 42 of 156 deceased claimants were (i) still running, (ii) had incorrect termination dates, or (iii) had incorrect suspense dates. Overpayments in these 42 cases totaled $340,000. We estimate approximately $4 million in erroneous payments were made throughout VBA.

CURRENT STATUS: VBA has implemented three recommendations, but has not completed implementation of the recommendation to correct errors in the electronic beneficiary database and to link other electronic beneficiary databases, where necessary.

BENEFIT OVERPAYMENTS DUE TO UNREPORTED BENEFICIARY INCOME

VBA's Income Verification Match (IVM) is a significant internal control and financial risk area because it did not produce the required benefit payment adjustments and identification of program fraud. Our audit found that opportunities exist for VBA to increase significantly the number of potential overpayments recovered through greater efficiency and effectiveness; ensure better program integrity and identification of program fraud; and improve delivery of services to beneficiaries.

To resolve these and other problems, VBA needs to address the following key findings: (i) increase the oversight and tracking of the IVM process; (ii) make the claims examination process more effective; (iii) establish IVM-related debts; (iv) do not grant waivers of IVM-related debts when fraud is identified; (vi) increase recoveries by reducing the number of unmatched records; (vii) increase the number of referrals to the OIG for fraud. In conclusion, we found that the IVM process represents a potential material weakness area that should be monitored by the Department.

The potential monetary impact of these findings to the Department was $806 million. Of this amount, we estimate potential overpayments of $773 million associated with benefit claims that contained fraud indicators, such as fictitious social security numbers or some other inaccurate key data elements. The remaining $33 million is related to inappropriate waiver decisions, failure to establish accounts receivable, and other process inefficiencies. We also estimate that $300 million in beneficiary overpayments involving potential fraud had not been referred to the OIG for investigation.

***CURRENT STATUS*:** VBA agreed to implement the following recommendations: (i) increase program oversight of the results of IVM actions completed; (ii) eliminate the review of selected pension cases because they result in no benefit overpayment recoveries; (iii) eliminate review of IVM cases with income discrepancy amounts of less than $500 because they result in little or no benefit overpayment recoveries; (iv) complete necessary data validation of beneficiary identifier information contained in C&P master records to reduce the number of unmatched records with SSA; (v) ensure that accounts receivable are established to recover IVM-related debts from beneficiaries; (vi) ensure that waivers of beneficiary IVM-related debts are not granted when fraud is identified; (vii) refer potential fraud cases to the OIG based on the established referral process; (viii) report the IVM for consideration as an Internal High Priority Area that needs monitoring.

BENEFIT OVERPAYMENT RISKS DUE TO INTERNAL CONTROL WEAKNESSES

In the past year, the Under Secretary for Benefits asked for our assistance to help identify internal control weaknesses that might facilitate or contribute to fraud in VBA's C&P program. The request followed the discovery that three VBA employees had embezzled nearly $1.3 million by exploiting internal control weakness in the C&P benefit program. Our vulnerability assessment identified 18 categories of vulnerability involving numerous technical, procedural, and policy issues. The Under Secretary agreed to initiate actions to address these weaknesses.

To test the existence of the control weaknesses identified in the vulnerability assessment, we conducted an audit at the VARO in St. Petersburg, FL. The St. Petersburg office was selected for review because it was one of the largest regional offices, accounting for 6 percent of C&P workload, and it was the location where 2 of the 3 known frauds took place. The audit confirmed that 16 of 18 categories of vulnerability reported in our vulnerability assessment were present at the regional office.

***CURRENT STATUS*:** VBA agreed to address the internal control weaknesses identified in the vulnerability assessment and the 15 recommendations included in the St. Petersburg regional office audit. Implementation action on these recommendations is currently in process.

5. GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)—DATA VALIDITY

GPRA requires federal agencies to set goals, measure performance against those goals, and report on their accomplishments. In accordance with the law, VA has set goals for each of its major business lines, identified related performance measures, and established procedures for compiling and reporting results.

Prior OIG audits have found erroneous data in many VA financial and management systems—medical care ($21 billion annually), compensation ($19.7 billion annually), pension ($3.1 billion annually), and education ($1.5 billion annually). Reliance on inaccurate data results in faulty budget and management decisions and adversely impacts program administration.

At the request of the Assistant Secretary for Policy and Planning, we initiated a series of audits to assess the quality of data used to compute the Department's key performance measures. We have completed audits of five performance measures[1]:

- average days to complete original disability compensation claims;
- average days to complete original disability pension claims;
- average days to complete reopened compensation claims;

[1] The three claims processing timeliness measures we audited have now been incorporated into a new key measure called average days to process rating-related actions.

- percent of the veteran population served by the existence of a burial option within a
- reasonable distance of place of residence;
- foreclosure avoidance through servicing (FATS) ratio.

After we identified deficiencies in each of the measures, VBA and VHA began taking action to correct the deficiencies.

VA has made progress in implementing GPRA, but additional improvement is needed to ensure stakeholders have useful and accurate performance data. Management officials continue to refine performance measures and procedures for compiling data. Performance data are receiving greater scrutiny within the Department, and procedures are being developed to enhance data validation. However, we continue to find significant problems with data input, and Department-wide weaknesses in our information system security limit our confidence in the quality of data output.

***CURRENT STATUS*:** Audits of two performance measures, the prevention index and the chronic disease care index, are in process.

6. SECURITY OF SYSTEMS AND DATA

VA needs to improve physical and electronic security over its information technology (IT) resources. The Department requires automated data processing (ADP) to manage transactions valued at over $28 billion annually and maintain over 40 million sensitive veteran records. Security risk increases as we share data with other departments and organizations. Multiple architectures and complex mission-specific systems throughout VA increase the risk of inappropriate access and misuse of sensitive data.

Historically, sufficient security has not been provided to safeguard VA IT resources. For example:

- risk assessments were not developed and maintained;
- center-wide and certain system security plans were not established;
- systems were not certified;
- numerous physical and electronic security controls needed to be implemented.

***CURRENT STATUS*:** Ongoing assessment of ADP controls is taking place. We are continuing our assessment of ADP controls as part of our audit of VA's FY 2000 Consolidated Financial Statements (CFS). In addition, we have initiated a nationwide audit of VA's Information Security Program to assess VA's efforts to address information security control weaknesses and establish a comprehensive integrated security management program. This audit will be completed, as required by the Computer Security Act and the new Government Computer Security Reform Act. The actions necessary to reduce risk to an acceptable level require a long-term, sustained effort. To address the VA-wide ADP security and control issues, VA established a centrally managed security group in FY 1999 and an information security working group, in which we participate. In October 2000, the Department issued a revised Information Security Management Plan that identified a number of security enhancement actions that are

being accelerated to improve enterprise-wide information security.
In our audit of VA's FY 1998 CFS, we reported VA-wide information system security control as a material internal control weakness. The General Accounting Office (GAO) reached similar conclusions. Audit tests associated with our 1999 CFS audit demonstrated that widespread system security control weaknesses continue to exist in VA. As part of this audit, we contracted for "penetration tests" of VBA systems to assess the effectiveness of information system general controls. The review concluded that significant control weaknesses made VBA systems vulnerable to unauthorized access and misuse. Additional penetration testing of VA systems will be completed as part of our nationwide audit of VA's Information Security Program. Our audit of C&P internal controls at the VARO in St. Petersburg, FL, also identified information security control weaknesses. In addition, we are evaluating the adequacy of Information Security Program controls as part of our cyclic Combined Assessment Program reviews of VA facilities. These reviews continue to identify security control weaknesses.

7. VA CONSOLIDATED FINANCIAL STATEMENTS

Some VA assets may not be adequately protected and resources may not be properly controlled. We issued an unqualified opinion on the Department's Consolidated Financial Statements for FY 1999, an improvement from FY 1998, when our audit opinion was qualified concerning Housing Credit Assistance (HCA) program accounts. While the Department achieved an unqualified audit opinion on the FY 1999 financial statements, three material internal control weaknesses remained, and VA remained noncompliant with the Federal Financial Management Improvement Act (FFMIA) in three areas.

The three material internal control weaknesses were: (i) VA-wide information system security controls; (ii) HCA program accounting; (iii) fund balance with Treasury reconciliations. The Department had made significant improvement, but needed to continue efforts to correct the remaining open information security and HCA recommendations and implement the new recommendations concerning fund balance with Treasury reconciliations. These internal control weaknesses expose VA to significant risks.

Our report on Compliance with Laws and Regulations stated noncompliance with FFMIA requirements concerning HCA program financial management information systems, information system security, and cost accounting standards. We also reported, as we had in previous years, noncompliance with one law that, while not material to the financial statements, warrants disclosure: the requirement for charging interest and administrative costs on compensation and pension accounts receivable.

***CURRENT STATUS*:** The Department has provided corrective action plans for the ADP security and control issues, with complete corrective action not planned until FY 2002. The audit of VA's FY 2000 Consolidated Financial Statements includes assessment of completed and in-process corrective actions by the Department on the other issues reported: Housing Credit Assistance and Treasury reconciliations.

8. DEBT MANAGEMENT

As of September 1999, debt owed to VA totaled over $3.2 billion. This debt resulted from home loan guaranties, direct home loans, medical care cost fund receivables, compensation and pension overpayments, and educational benefits overpayments.

***CURRENT STATUS*:** The OIG has issued 15 reports over the last 6 years to address the Department's debt management activities. The recurring themes are that the Department needs to be more aggressive in collecting debts, improve debt avoidance practices, and streamline credit management and debt establishment procedures. Through improved collection practices, the Department can increase receipts from delinquent debt by tens of millions of dollars each year.

Over the past 30 months, audit coverage of VA's debt management program has focused on billing and collection of medical care copayments owed by veterans, or their insurance companies, for medical care of non-service-connected conditions, and overpayments of compensation and pension benefits.

Our review of debt prevention, debt consolidation, and debt collection issues identified opportunities to avoid overpayments, establish debt, or improve collection of $260 million:

- establishment of $30 million in debts;
- prevention of new debts caused by benefit overpayments of about $81 million annually;
- need to enhance debt collection by about $130 million;
- need to streamline operations and achieve annual cost efficiencies of about $19 million.

In addition to realizing significant monetary benefits, these audits identified opportunities to enhance service to veterans by discovering benefit underpayments of about $14 million, and preventing the inappropriate billing or income verification of about 14,000 veterans.

We have issued several reports addressing income verification match issues. In our "Evaluation of VHA's Income Verification Match Program," a follow-up to implementation of our recommendations from prior income verification match audits, we reported that prior recommendations had not been fully implemented and that opportunities existed for VHA to conduct the program in a more efficient and cost-effective manner. We recommended that the Under Secretary for Health improve the income verification match program activities by: (i) requiring VHA's Chief Network Officer to ensure that VISN directors establish performance standards and quality monitors, and strengthen procedures and controls for means testing activities and billing and collection of Health Eligibility Center (HEC) referrals; (ii) requiring VHA's Chief Information Officer to develop performance measures and monitor periodic performance reports; (iii) expediting action to centralize means testing activities at the HEC. Our recommendations have not been implemented.

At the request of the Under Secretary for Health, we are auditing VHA's means testing and income verification program to: (i) ensure the HEC has purged all income information received from the Internal Revenue Service from electronic and hard copy records; (ii) review the steps taken by local VHA facility management to ensure compliance with legal requirements associated with controlling means testing data since January 1999, and whether additional measures are warranted; (iii) review the financial and administrative impact on VHA if an extended period of time elapses without income verification.

We have also issued several reports addressing ways to improve VHA's Medical Care Cost Fund program. VHA has reported implementation of all of our recommendations; however, we have not completed follow-up work to document the improvements.

We are currently auditing VA's Debt Management Center (DMC) to determine whether the DMC is: (i) pursuing all reasonable debt collection avenues to maximize collections; (ii) collecting from Federal employee debtors by establishing Federal salary deductions; (iii) using standards and criteria appropriately to write-off, waive, or suspend debts; (iv) operating according to the provisions of the Debt Collection Improvement Act of 1996.

9. WORKERS COMPENSATION COSTS

The 1916 Federal Employees' Compensation Act (FECA) authorizes benefits for disability or death resulting from an injury sustained in the performance of duty. The Department of Labor (DOL) administers the FECA program for all Federal agencies. The benefit payments have two components: salary payments, and payments for medical treatment for the specific disability. Medical treatment includes all necessary care, including hospitalization. DOL indicates that payments made to injured Federal workers is about $1.8 billion annually for all Federal agencies, of which approximately $140 million goes to injured VA workers. These benefit payments are at risk to fraud, waste, and abuse.

After auditing VA's FECA program in 1998, we concluded the program was not effectively managed and that by returning current claimants to work who are no longer disabled, VA could reduce future payments by $247 million. (DOL calculates savings based on the age of the recipient at the time of removal up to age 70, the life expectancy of these individuals.) From our random sample, we also identified 26 potential fraud cases that were referred to our Office of Investigations. After reviewing the sample results, we estimated that over 500 fraudulent cases were being paid about $9 million annually. Similar conditions were reported in a 1993 OIG report.

In 1999, we completed a follow-up audit of high-risk areas in VHA's Workers Compensation Program (WCP). The audit found that VHA was vulnerable to abuse, fraud, and unnecessary costs associated with WCP claims in three high-risk areas reviewed: dual benefits, non-VHA employees, and deceased WCP claimants. We estimated that VHA has incurred, or will incur, about $11 million in unnecessary costs associated with WCP claims in these high-risk areas.

***CURRENT STATUS*:** The OIG developed a protocol package and handbook for enhanced VA oversight and case management of the WCP. Both documents discussed key elements of case management and fraud detection. The protocol package was customized for individual VISNs and included a list of specific cases for review.

The OIG continues to work with the Department to reduce WCP costs through individual VISN case management reviews, staff training, and aggressive investigation of identified fraudulent cases. Individual cases of suspected fraud have been referred to our Office of Investigations for review. After investigation and successful prosecution, judicial actions returned to VA monies fraudulently received.

The Department is also providing WCP staff training and assistance to selected VISNs and has held national conferences to provide a forum for training and discussion of WCP issues. While the Department has taken a number of positive steps to address WCP issues, implementation of recommendations included in our 1998 and 1999 audits have not been completed. Key actions remaining include:

- One-time review of all open/active cases. (VHA is in the process of initiating required case review work that is scheduled to be completed in FY 2001. These reviews will include cases identified in both the 1998 and 1999 audits. We have participated in training sessions for newly appointed VISN WCP Coordinators who will be overseeing case review work at their respective VISN facilities. The one-time review effort will use the case review methodologies that we recommended in the protocol and handbook packages.)
- Implementing the system modifications discussed in the report. (Implementation action has been delayed due to budget constraints.)
- Issuing policy and guidance on recording, tracking, and using “continuation of pay” information. (Implementation action cannot be completed until the HR LINK$ system platform is completed.)
- Removing Veterans Canteen Service and NCA employees from VHA’s WCP rolls. (Implementation action will be completed once the one-time review of cases is completed.)

Implementing these recommendations is essential for the Department to strengthen WCP case management and reduce program costs. Given the significance of the audit findings and the risk of program abuse and fraud, WCP continues to be a high priority area.

10. PROCUREMENT PRACTICES

The Department spends over $5.1 billion annually for supplies, services, construction, and equipment. VA faces major challenges to implement more efficient and effective ways of ensuring the Department’s acquisition and delivery efforts to acquire goods and services. A more coordinated and integrated approach is needed to make sure the benefits of acquiring goods and services outweigh the costs. High-level monitoring and oversight need to be recognized as Department priorities, and efforts must continue to maximize the benefits of competition and to leverage VA’s full buying power. VA must also ensure that adequate levels of medical supplies, equipment, pharmaceuticals, and other supply inventories are on hand. At the same time, VA should avoid tying up funds in excess inventories.

Historically, procurement actions are at high risk for fraud, waste, abuse, and mismanagement. Vulnerabilities and business losses associated with theft, waste, and damage of information technology are known to be significant. Recent OIG reviews have identified serious problems with the Department's contracting practices and acquisitions. These reviews have identified the need to improve the Department's procurement practices in areas of acquisition training and oversight to ensure the competency of the acquisition workforce. Previous audits also support the need to provide adequate acquisition planning on a corporate basis, and to improve and coordinate national and regional acquisition planning efforts. Recent business reviews conducted by the Office of Acquisition and Materiel Management and the OIG at four VA facilities have identified significant problems relating to acquisition planning, training, inventory management, management oversight, and contract administration.

INVENTORY MANAGEMENT

OIG audits have found that excessive inventories are being maintained, unnecessarily large quantity purchases are occurring, inventory security and storage deficiencies exist, and controls and accountability over inventories need improvement. We found that, at any given time, the value of VHA-wide excess medical supply inventory was $64 million, 62 percent of the $104 million total inventory. Audits at 4 VAMCs found that about 48 percent of the $2 million pharmaceutical inventories were excess. Another audit at 5 VAMCs concluded that 48 percent of prosthetic supply inventories were excess.

Excess inventories occurred because VAMCs relied on informal inventory methods and cushions of stock as a substitute for structured inventory management. As a result of the successful transition to prime vendor distribution programs for pharmaceuticals and other supplies, VAMCs have substantially reduced their pharmacy inventories from previous levels. However, inventories continue to exceed current operating needs for many items. Recent reviews of prime vendor programs have identified acquisitions obtained at increased costs and waste.

PURCHASE CARD USE

OIG reviews at selected VAMCs have identified significant vulnerabilities in the use of purchase cards. Work requirements have been split to circumvent competition requirements, and some goods and services have been acquired at excessive prices and without regard to actual needs. Risk will escalate as purchase card use increases throughout the Department.

SCARCE MEDICAL SPECIALIST SERVICES

OIG reviews of scarce medical specialist contracts have expressed serious concerns about whether these contracts or agreements are necessary and whether costs are fair and reasonable. Our reviews have identified conflict of interest issues and proposed sole source contracts that lack an adequate business analysis, justification, or cost/benefit assessment. Management attention is needed to develop policies that will ensure consistency in the use of VA's statutory authority and proper oversight of such activities.

***CURRENT STATUS*:** The OIG is working with VA and VHA logistics staff to improve procurement practices within the Department. The OIG continues to perform contract audit and drug pricing reviews to detect defective and excessive pricing; and to provide improved assurance over the justification, prioritization, accountability, and delivery of pharmaceuticals and other goods in VA's operations. VHA has made the development of an Advanced Acquisition Plan a priority.

Investigation of selected construction contracts, purchase card activities, and vehicle administration at the VAMC in Clarksburg, WV, is in progress.

VA'S RESPONSE TO THE OFFICE OF INSPECTOR GENERAL'S ASSESSMENT

The Department of Veterans Affairs has the following comments to add to the OIG's assessment of the management problems facing VA.

DUAL COMPENSATION OF VA BENEFICIARIES

We have been communicating with DoD's Defense Manpower Data Center to reach a solution on this issue. Although experiencing some difficulty in obtaining accurate data from the military services, DoD is working on ways to capture the information we need to offset VA disability compensation against military reserve pay.

PAYMENT TO INCARCERATED VETERANS

We have initiated a project, scheduled for completion by the spring of 2001, for the programming necessary to conduct a match with SSA, using existing procedures. The system to identify and adjust the benefits will be identical to the existing system used for the Federal Bureau of Prisons.

PAYMENT TO DECEASED BENEFICIARIES

We have placed a high priority on running a one-time match between the Beneficiary Identification and Records Locator System (BIRLS) and the compensation and pension master records to gauge the extent of the problem. To determine whether a First Notice of Death was processed, we will review every match between a BIRLS record with a date of death and a running compensation or pension award. We will then implement appropriate corrective measures.

GPRA—DATA VALIDITY

Inconsistencies identified in NCA's estimate of the percent of the veteran population served by a burial option within a reasonable distance of place of residence have been corrected.

WORKERS COMPENSATION COSTS

VHA recently completed its portion of outstanding actions regarding workers compensation costs. We have notified the OIG and are awaiting their response to our last update of the action plan.

PROCUREMENT PRACTICES

The following additional actions have been taken to address this management challenge:

A task force composed of high-level personnel from the OIG, VHA, and VA logistics staff was formally chartered to tackle weaknesses in VA's procurement practices. On November 20, 2000, the group completed its findings and issued recommendations, which are now being studied for appropriate action.

VA has been working diligently to resolve problems in this area. Teams of experts have conducted business reviews of all acquisition and materiel management functions at our medical centers. An assessment by VA logistics staff of VHA's Inventory Management Program found that coordination and operation efficiencies provided by an integrated materiel management system have been adversely affected by VISN and medical center reorganizations. The Department believes implementation of the task force's recommendations will address the deficiencies that have resulted from VHA decentralization.

Also, VA is evaluating the acquisition training program to identify ways to improve the program's effectiveness. Identifying additional training methods beyond the classroom setting will strengthen the skills of our acquisition workforce.

INVENTORY MANAGEMENT

We accept the OIG's findings of the management challenges associated with procurement practices. However, the Department believes the OIG's finding of excessive VHA inventories is somewhat overstated. As we have discussed with the OIG, VA must be prepared to handle any medical procedure regardless of how rare it may be. Thus, many medical items must be kept on hand even though there may be little likelihood for use. Further, hospitals must have an adequate safety stock to make sure there is no outage of supplies. For these reasons, medical supply inventories will be higher than expected.

ASSESSMENT OF DATA QUALITY

ASSESSMENT OF DATA QUALITY

Improving data quality will remain a high priority for VA. Our stakeholders have spoken clearly about our data quality—it is not very good and they want it improved. We take their message seriously and will continue to work hard to turn this around.

During the past several years, we have made significant progress in improving the quality of our most important performance measures, the ones we consider our key measures. Our efforts have taken many forms: each Administration initiated specific improvement actions; the Office of the Inspector General (OIG) conducted a series of audits to determine the accuracy of our data; we established a Department-level Chief Actuary to assist program officials in assessing the validity and accuracy of performance data; and the Office of Management worked with program officials to prepare an assessment of each key measure.

As we identified specific deficiencies, we took corrective action. For example, when the current Under Secretary for Benefits assumed office, he put senior executives on notice that he would not tolerate manipulation of performance data. What appeared to be an immediate worsening of timeliness and accuracy of claims processing turned out to be a dramatic improvement in the reliability of the reported information. When the OIG found that timeliness of claims processing was misreported by a significant amount, the Compensation and Pension Program Director instituted a review process to identify potential problem cases and ensure accurate reporting.

During its audits, the OIG frequently found that underlying data were in error or that documentation was missing. In every case, responsible program officials have taken necessary steps to prevent recurrence of the problem. For example, the OIG determined that the number of unique patients treated in VA health care facilities was overstated because of input errors and incorrect social security numbers. The Under Secretary for Health initiated an acceptable implementation plan to establish system edits to prevent future errors.

For each of our programs, we collect a great deal of information from veterans and other users through customer satisfaction surveys. With few exceptions, these surveys are conducted using appropriate survey research methods. In cases where we have not used rigorous methods, we are in the process of adopting professional standards. For example, NCA is developing a new instrument to conduct a nationwide mail-out survey to measure the public's perception of the appearance of national cemeteries and the quality of service provided. This new survey instrument will enhance the validity of NCA survey data.

Our data quality is not yet where we want it to be, but we are confident that it is much better than it was before we started this effort over 7 years ago with enactment of the Government Performance and Results Act. The improvement process is a long-term project that VA will continue to address. The following discussion describes in specific detail the actions of each VA Administration to improve its data quality.

VETERANS HEALTH ADMINISTRATION

The principles of data reliability, accuracy, and consistency are recognized as integral to VHA's efforts to provide excellence in health care. In 1998, the Under Secretary for Health convened a Data Quality Summit and directed the Chief Information Officer to lead VHA's effort to address data quality issues. Outcomes and ongoing initiatives of the Summit workgroups and the Office of Information (OI) staff are described below.

Major reporting entities within VHA formed the Data Consortium in FY 2000 to address organizational issues and basic data quality assumptions. The Data Consortium works collaboratively to improve information reliability and customer access for the purposes of quality measurement, planning, policy analyses, and financial management. The ongoing initiatives and strategies focus on data quality infrastructure, training and education, personnel, policy guidance, and data systems.

In July 2000, VHA hired a full-time Data Quality Coordinator. The Coordinator, along with data quality workgroups, provides guidance on data quality policies and practices.

Initiatives that support the integrity and data quality of coding currently in progress include:

- Development of strategies and standard approaches to enable field staff to understand the data content and meaning of specific data elements in VHA databases.
- Development of coding resources for the field, which includes the purchase of knowledge-based files/edits from Ingenix™ for use within the Veterans Health Information Systems and Technology Architecture (***V***ist***A***). ***V***ist***A*** supports the use of national code sets, Current Procedural Terminology, 4th Edition (CPT-4), and Health Care Financing Procedural Coding System (HCPCS) Level II. The availability of these code sets will enable VHA to describe accurately the outpatient and other professional services provided to our patients.
- Complete revision of ***V***ist***A*** software to accommodate the use of national code set modifiers, giving providers the ability to document care more completely and accurately.

To support the need for guidance in medical coding, VHA established the Health Information Management (HIM) Coding Council. Comprised of a panel of credentialed expert coders, with support from VHA HIM Headquarters' staff, the Council researches and responds within 24 hours to coding questions, citing official references. The Council also updates the national Coding Handbook, which provides expert guidance to the field facilities. This handbook standardizes guidelines for complete and accurate coding within VHA codes.

VHA's OI sponsors two newsletters: *Close Encounters*, which provides expert guidance to the field facilities on encounter forms, insurance billing, coding, and Medicare compliance; and *Data Quality Highlights,* which provides data quality facts and tips.

Training and education opportunities are provided to support data quality initiatives and compliance, such as the airing of national satellite broadcasts on data quality issues. Currently, the satellite broadcasts are scheduled through September 2001. Future topics include external impacts to data reliability, Health Care Financing Administration guidance, national standards issuance, and internal data requirements of the Veterans Equitable Resource Allocation funding model.

In an effort to improve the reliability of the Decision Support System data, VHA issued a directive on standardization, which was sent to all VA medical facilities. The directive provides guidance for the basic model for standardization that facilities will use for managerial accounting and clinical information to assess the delivery of medical care.

In addition to guidance, training, and education, OI is involved in several key projects targeted to improve data quality and system reliance. These include the Meta Data Registry (MDR) and the Master Patient Index (MPI).

MDR is in progress with data from 49 VHA databases. This registry contains definitions, business rules, names of database stewards, and descriptive information about the data elements contained in ***V**ist**A*** databases. Scheduled for release in FY 2001, MDR will provide a single source of data element description to users and technical staff. It will also help eliminate data redundancies and improve standardization.

VHA will complete the implementation of a national MPI by March 2001. The MPI provides the access point mechanism for linking patients' information from multiple clinical, administrative, and financial records across VHA health care facilities to enable an enterprise-wide view of individual and aggregate patient information. Responsibility for MPI data integrity exists on both corporate and facility levels. This effort will be accomplished through the use of software reporting tools and interaction between sites of care and external authoritative sources. The MPI provides the ability to view clinical data from various VA medical facilities via the remote data view functionality within the Computerized Patient Record System.

VETERANS BENEFITS ADMINISTRATION

The Under Secretary for Benefits has consistently focused VBA's efforts toward improving its data systems and the integrity of the data contained within these systems. This focus was succinctly stated in the document describing VBA's strategic direction, *Roadmap for Excellence*: "VBA's data systems will be reliable, timely, accurate, integrated, honest, and flexible." In 1998, the Data Management Office (DMO) was established to ensure that VBA incorporates this theme into its business lines and field operations and to focus on data integrity and quality matters.

The DMO reflects VBA's efforts to facilitate the availability and use of quality information to support current and future business needs and improved service delivery. The DMO has established organizational components to focus specifically on VBA business line information and veterans' information, as well as improving delivery of all types of information through better information systems. Since its establishment, the DMO has worked with the VBA organizational elements to identify strategies and initiatives to address the collection, processing, and storage of quality data. Several of these initiatives are described below:

- A Data Integrity Task Force was formed to help assess the quality of existing key business indicators and to identify any missing information relevant to the management of VBA's core business processes. In February 1999, the group presented its findings and recommendations. As a result, the Under Secretary directed the program services and the Office of Field Operations to develop action plans. The DMO is responsible for monitoring progress until all milestones have been completed. The status of each recommendation is documented in the Data Integrity Matrix, accessible to employees through the VBA Intranet.
- In an effort to create a single, consistent, accurate, and accessible source of information about veterans, VBA is developing the Veterans Information Solution (VIS). The current prototype displays veteran data customized to meet the information needs of multiple benefit programs, or business lines. This Web-based solution, once fully developed, will be accessible to all VA organizations. The prototype display screens presently include veteran profile information, military history, compensation and pension utilization, and hospital enrollment information.
- To assist in addressing VBA's known data integrity issues, VBA has begun constructing an enterprise Data Warehouse. This initiative focuses on the areas of workload management, performance measurement, cost analyses, business line/program area management analyses, and customer (veteran) profiling.
- The Data Warehouse and its various modules have already improved the delivery of vital business information to VBA business analysts, managers, and executives. Key reports and analyses, previously unavailable, have been automated and are readily accessible to end-users. Procedures that once involved weeks of effort to collect and consolidate data can now be completed in a timely and inexpensive manner through on-line analytical and ad-hoc capabilities over the VBA Intranet.
- VBA initiated a comprehensive inventory process to restore confidence in the integrity of reports and data. During Phase I of implementation, report sponsors will complete report templates to ensure the reports add value and are necessary. The template provides information about the report, such as description, purpose, decisions supported, data vulnerability issues, procedural reference materials, external and internal users, report frequency, reporting system, source system, and report identification numbers. This review exercise will also help users identify redundant and obsolete reports, and adhere to VA's reports management procedures. In addition, a significant portion of this effort includes the construction

of a fully automated on-line system that will be accessible via the VBA Intranet.

- Several initiatives focus on the validation and verification of social security numbers (SSNs) used in VBA systems and benefits delivery. Currently, efforts are underway to identify and reduce the number of duplicate SSNs in VBA's Corporate Database. When VBA resolves all of the duplicates for each category, program logic will be installed to eliminate future duplication. In addition, a memorandum of agreement permits VBA to use a read-only, case-specific, real-time query to read limited data elements contained in certain Social Security Administration Privacy Act Systems of Records. VBA will use the read-only information to verify SSNs and income information submitted by beneficiaries.
- To ensure proper management and oversight of information security and infrastructure protection, VBA created the Security Infrastructure Protection Office. A contractor is assessing the current security risks, threats, policies, and program goals. In addition, a master security plan is being developed.
- The Veterans Service Network (VETSNET) Phase I implementation project will replace the existing compensation and pension payment system. Currently, efforts are underway to replace the finance and accounting code in the Benefits Delivery Network with a standardized, on-line accounting and payment system that will interface with VA's Financial Management System.

VBA will continue working toward improving the delivery of all types of information through better information systems and data quality. Recent efforts to form strategic alliances and partnerships with external organizations have resulted in access to more timely and accurate data.

NATIONAL CEMETERY ADMINISTRATION

NCA workload data are collected monthly through field station input to the Management and Decision Support System, the Burial Operations Support System (BOSS), and the Automated Monument Application System-Redesign (AMAS-R). After reviewing the data for general conformance with previous report periods, headquarters staff validates any irregularities through contact with the reporting station.

NCA began implementing a reorganization from three geographic National Cemetery Area Offices to five Memorial Service Networks (MSNs). The new structure will strengthen oversight and accountability of cemetery operations, provide a more balanced workload among the MSNs, and centralize selected administrative activities.

During FY 2000, NCA conducted a project to review and improve the codes used for ordering replacement headstones or markers. When headstones or markers are lost or damaged, it is important to determine both the cause and the party responsible for the expense of a replacement. NCA developed codes and published a users' guide with definitions for the codes, including the replacement reasons. Use of these new codes will enhance the BOSS and AMAS-R databases so that they produce reliable and accurate data on replacement actions, and provide management with an effective tool for improving the overall process.

Efforts continue in expanding the use of information technology to collect performance data for recently developed performance measures. The NCA Data Validation Team is working to ensure that performance data collected and reported for timeliness of scheduling interments and marking graves at national cemeteries are accurate, valid, and verifiable. The team's major tasks include defining performance measurement terms to ensure standard interpretation and application throughout NCA; identifying training needs to ensure accuracy of data and consistent data entry processes; and recommending necessary changes to BOSS to ensure accurate data entry. NCA developed and implemented additional computer edits as a result of the team's recommendations.

ROLE OF THE ACTUARY

During FY 2000, the Chief Actuary within the Office of Policy and Planning assisted the staff from the Office of Management to initiate a Department-wide data validation and verification process, with the Administrations acting as full partners. Each Administration prepared a "Validation of Data Used in Performance Measures" worksheet for each of its key performance measures. While these worksheets have not been finalized, they provide a great deal of information about our measures and data, including possible areas for improvement. The key elements are:

- Qualitative definition
- Functional definition describing sources of data and frequency of collection
- Formula for the performance measure
- Baseline data
- Data system information
- Methods used to determine accuracy, validity, and reliability of data
- Improvement plan
- Responsible official

For the most part, responsible officials recognize our data have significant quality shortcomings that they are working to eliminate. A review of the initial worksheets indicates that efforts have been, and are continuing to be, made to improve the data underlying most of the key performance measures.

OFFICE OF INSPECTOR GENERAL (OIG) PERFORMANCE AUDITS

The OIG continued its assessment to validate the accuracy and reliability of VA's key performance measures in accordance with the Government Performance and Results Act. During FY 2000, the OIG assessed the accuracy of data used to calculate the Foreclosure Avoidance Through Servicing (FATS) ratio, and completed an initial audit of the Chronic Disease Care Index (CDCI) and Prevention Index (PI).

To assess the accuracy of VA's computation of the FATS ratio, the OIG attempted to verify each of the five components: refunding, voluntary conveyances, compromises, foreclosures, and successful interventions. Records in four of the five components were categorized correctly, but records categorized as successful interventions could not be verified because supporting documentation was not available. Evidence of defaults, intervention efforts, and successes was not generally retained in loan folders, but was recorded in electronic notes in the Liquidation and Claims System. Unfortunately, the system did not retain the notes. Therefore, with neither supporting documentation in the loan folders nor electronic notes, the OIG could not determine whether the successful interventions recorded actually occurred, and could not attest to the accuracy of the FATS ratio reported. During the audit, VA activated a new computer system for its loan servicing activities that does retain the electronic notes to document successful interventions. The OIG considered the issue resolved and offered no recommendations in the audit report.

The OIG assessed the validity of VHA's CDCI and PI performance measures to determine the accuracy of the data reported in VA's 1999 Annual Accountability Report. Audit results demonstrated that the procedures used by VHA to compute the CDCI and PI indices were adequate, but review of the source documents to determine the validity of data used in computing the CDCI and PI was not included. As a result, the OIG will re-evaluate these measures during FY 2001. OIG audit results also showed inconsistencies in VHA's reported periods for both measures. VHA agreed to report on a 12-month period instead of an 11-month period.

To date, the OIG has conducted eight audits encompassing six key measures, with several others on the agenda for the near-term. These include the vocational rehabilitation and employment rehabilitation rate; percent of patients who rate VA health care service as "very good" or "excellent"; national accuracy rate for core rating work; appeals resolution time; and percent of compensation and pension claimants who are satisfied with the handling of their claims.

MILLENNIUM ACT (SECTION 801)

VETERANS BENEFITS ADMINISTRATION
QUALITY ASSURANCE PROGRAM

Each of the program services within the Veterans Benefits Administration maintains a quality assurance program that is independent of the employees in the field stations responsible for processing claims and delivering benefits. The following information about our compensation and pension, education, vocational rehabilitation and employment, housing, and insurance quality assurance programs is provided in accordance with title 38, section 7734.

Cases Reviewed and Employees Assigned by Program		
	CASES REVIEWED	EMPLOYEES ASSIGNED
Compensation and Pension	8,412	7.0
Education	1,274	0.8
Vocational Rehabilitation and Employment (VR&E)	3,652	5.0
Housing	12,062	5.2
Insurance	12,000	3.6

SUMMARY OF FINDINGS AND TRENDS

COMPENSATION AND PENSION

Our current quality review methodology, Statistical Technical Accuracy Review (STAR), is a zero defect system: any case found to have an error of any type is a case in error, regardless of which component of the review contains the error. There were 1,360 cases with rating-related errors, 1,556 cases with authorization errors, and 527 fiduciary cases with errors (some cases had more than one error). The FY 2000 accuracy rate for rating-related actions, one of our key measures, of 64 percent masks much higher scores for specific elements of claims processing. For example, the accuracy rate concerning proper grant or denial of benefits, assignment of correct evaluations and effective dates, and correct dates and rates of payment was 92 percent, a 7 percent improvement over FY 1999's accuracy rate of 85 percent. Our most frequent errors are in decision documentation and notification, not in the decisions themselves. These errors accounted for nearly 42 percent of rating-related errors.

EDUCATION

There were 53 decisions with payment errors and 237 with service errors (some cases had more than one service error). Notification errors accounted for approximately 63 percent of the service errors; development errors, 25 percent; eligibility and entitlement determinations, 10 percent and 2 percent, respectively. From FY 1999 to FY 2000, payment accuracy improved from 94.4 percent to 95.8 percent.

VOCATIONAL REHABILITATION AND EMPLOYMENT

VR&E reviewed a total of 3,652 cases consisting of cases from each Service Delivery Network (SDN). The following outcomes/trends were noted:

- Accuracy of Entitlement Determinations was 89 percent;
- Accuracy of Evaluation Planning and Services Delivery was 85 percent; and
- Accuracy of Fiscal Decisions was 94 percent.

VR&E staff are in the process of including a reports function to the quality assurance instrument to provide an additional means to review trends and outcomes.

HOUSING

Under its statistical quality control program, the housing program reviewed over 12,000 cases during FY 2000. These case reviews involved specific "yes" or "no" answers to over 53,200 separate questions During these case reviews, approximately 2,070 defects were found (some cases reviewed had more than one defect) resulting in a national defect rate of 3.9 percent. The quality review results are provided to all loan guaranty divisions each month. The current national accuracy index is 94.1 percent.

The housing quality assurance program includes elements other than review of cases. The Lender Monitoring Unit performed 29 on-site audits of lenders participating in VA's home loan program. The Portfolio Loan Oversight Unit reviewed billing invoices and completed contractor audits, in addition to solving problems associated with portfolio loans and management of properties. We conducted 7 on-site reviews of regional loan centers, during which we identified 204 strengths, 82 weaknesses, and 70 best practices, and mandated 33 corrective actions. Best practices were distributed to all loan guaranty divisions. Accomplishment of these actions required 27.4 full-time equivalent employees in addition to the 5.2 devoted to statistical quality control reviews.

INSURANCE

The insurance program's principle quality assurance tool is the statistical quality control (SQC) review. The SQC program assesses the ongoing quality and timeliness of work products by obtaining a random sample of completed or pending work products and reviewing them. For FY 2000, the accuracy rate for the policy services work products was 99.4 percent; the accuracy rate for timeliness of policy services work products was 97.2 percent. The work products reviewed for accuracy were correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries; the accuracy rate of insurance claims work products was 98.4 percent. The accuracy rate for timeliness for insurance claims work products was 96.4 percent. The work products reviewed for accuracy and timeliness were death claims, awards maintenance, beneficiary and option changes, disability claims, and medical applications.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews insurance operations work for fraud through a variety of Awards Data Entry (ADE) Special Reports and Inforce Matching Reports. The ADE Special Reports are generated daily and identify death claims cases based on specific criteria that indicate possible fraud. Individual employee performance reviews are completed on the primary end products processed by employees in the operating divisions, based on the critical and non-critical elements identified in the Individual Employee Performance Requirements.

ACTIONS TAKEN TO IMPROVE QUALITY

COMPENSATION AND PENSION

In FY 2000, monthly quality review results identified error trends and causes for ROs to use in identifying areas for improvement and training.

We established a workgroup comprised of field and headquarters managers to develop an implementation plan for the Systematic Individual Performance Assessment (SIPA) initiative. SIPA complements STAR by bringing performance assessment and accountability to the journey-level individual, and serves as an internal control mechanism by focusing on program and data integrity concerns.

A Quality Improvement Task Team was formed in July 2000 to identify areas with the greatest potential for positive impact on overall quality. The team developed a short-term corrective measures plan for these categories of errors in an effort to cut the error rate in specific problem areas in half. The plan was presented to VBA management in September 2000; the impact of this effort will be seen during FY 2001.

In an effort to improve the rating process and enhance accuracy, a new rating decision format was tested at three regional offices. During its development, the new format was shared with rating specialists, veterans services officers, and veterans. Their feedback was positive. The Rating Redesign project has been endorsed and incorporated into VBA's Rating Board Automation (RBA) 2000, which was deployed during fall 2000. This is the initial phase of a process redesign that will restore a thorough, analytical approach to the disability rating activity and, at the same time, provide plain language information on decisions to claimants. A stricter definition and control of data fields, and the addition of other data to capture special issues of interest, will remedy the shortcomings of the current RBA system. By reducing the number of keystrokes needed to enter rating data, RBA 2000 will improve the accuracy of rating decisions. With the collection of more accurate rating data, decisions will be edited as they are made (i.e., programming will not accept inconsistent data). Likewise, with available data regarding the profiles of pending and completed decisions, RBA 2000 will be another tool to better manage the workload.

As part of our succession planning strategy to maintain an effective workforce during times of high attrition, we expanded the nationwide Opportunity recruitment program to fill critical professional and technical positions at regional offices throughout the country. Over 450 additional employees were recruited during FY 2000. In FY 2001, we will redirect an additional 183 FTE from other business lines into the compensation and pension business line and hire 243 new veterans service representatives. With full implementation, we anticipate an improvement in accuracy for core rating work and authorization. Until the higher portion of the new hires is fully trained, we expect an adverse impact on the accuracy measure.

EDUCATION

In FY 2000, as in previous years, quarterly quality reviews identified error trends which served as a basis for regional processing office refresher training. Annual appraisal and assistance visit reports provided recommendations for upgrading specific quality areas. Subsequent follow-up actions have enabled both payment accuracy and service accuracy to improve as a result. Education Service's continuing Reader-Focused Writing effort has led to improved notification letters.

The implementation of the new processing system for the MGIB-Selected Reserves program during FY 2000 will increase future payment accuracy by eliminating possibilities for erroneous payments that existed under the previous system. The new system will also enhance service accuracy by automatically generating most due process notices for disallowance, reduction, and termination of benefits.

VOCATIONAL REHABILITATION AND EMPLOYMENT

Each service delivery network (SDN) review was concluded with an out-briefing, during which the VR&E officer was tasked with directing the report findings to respective SDN counterparts for corrective action. Adding teleconference call-ins has enabled SDN directors and VR&E officers to participate in the out-briefings.

HOUSING

VA Central Office housing program staff distributes the statistical quality review results to all loan guaranty divisions each month. The current national actual accuracy index is 94.1 percent. Summaries of the best practices from field station surveys were distributed to all loan guaranty divisions, along with the survey teams' exit notes and copies of the survey reports. To enhance the quality of service provided by lenders, we took actions such as training—lenders to improve lender compliance with VA guidelines, and indemnification agreements and requests for VA losses—in cases where VA determined that the lender ignored VA's underwriting or credit guidelines. Approximate liability avoidance during FY 2000 was $1 million.

INSURANCE

When the reviewer finds an error or discrepancy during a quality review, he or she prepares an exception sheet clearly describing how the item was processed incorrectly. The noted item is then reviewed with the person who incorrectly processed the form.

Individual employee performance reviews are based on the primary end products of employees in the operating divisions; performance levels are based on the critical and non-critical elements identified in the Individual Employee Performance Requirements. Each month, supervisory or lead staff review a set number of end products selected through random sampling, for quality and timeliness are returned to the employee. Those items with errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards set in the Individual Employee Performance Requirements.

STANDARDS OF INDEPENDENCE

Each program has established a staff at the Central Office level that is responsible for quality assurance. These staffs are completely independent of the field station personnel who process claims and deliver benefits, with the exception of the VR&E Service. VR&E's quality reviews are performed by teams that consist of three representatives from headquarters, along with rotating VR&E Officers from the field--one representative of the SDN being evaluated, and two representatives from other SDNs.

Rigorous reviews are conducted under published guidelines using detailed schedules in program manuals. Our quality assurance programs are subject to external review by oversight agencies such as the VA Office of Inspector General and the General Accounting Office. For example, in November 1998, the OIG reviewed the education quality assurance program and concluded that, "Education Service had an effective quality review system. Deficiencies and their causes are identified and reported to local and central office management and followed up on to ensure they are corrected. The quality review system is effective because it evaluates the accuracy of benefit awards as well as validates the [regional processing offices'] reported timeliness and productivity figures. As a result, we are making no recommendations regarding Education Service's

SECTION B:
CONSOLIDATED FINANCIAL STATEMENTS

SECTION B: CONSOLIDATED FINANCIAL STATEMENTS

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED BALANCE SHEETS (DOLLARS IN MILLIONS)
AS OF SEPTEMBER 30,

	2000	1999
ASSET		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 12,434	$ 16,198
Investments (Note 4)	14,450	14,572
Accounts Receivable, Net (Note 5)	259	731
Other Assets (Note 6)	93	181
TOTAL INTRAGOVERNMENTAL ASSETS	27,236	31,682
PUBLIC		
Investments (Note 4)	221	239
Accounts Receivable, Net (Note 5)	971	579
Loans Receivable, Net (Note 7)	3,834	4,156
Cash (Note 3)	29	61
Inventories (Note 8)	74	76
General Property, Plant and Equipment (Note 9)	11,564	12,036
Other Assets (Note 6)	27	22
TOTAL ASSETS	$ 43,956	$ 48,851
LIABILITIES		
LIABILITIES COVERED BY BUDGETARY RESOURCES		
INTRAGOVERNMENTAL		
Accounts Payable	$ 37	$ 30
Debt (Note 10)	1,827	2,540
Other Liabilities (Note 11)	2,450	3,127
TOTAL INTRAGOVERNMENTAL LIABILITIES	4,314	5,697
PUBLIC		
Accounts Payable	474	2,336
Liabilities for Loan Guarantees (Note 7)	5,017	5,808
Insurance Liabilities (Note 14)	12,724	12,852
Other Liabilities (Note 11)	3,885	3,875
TOTAL LIABILITIES COVERED BY BUDGETARY RESOURCES	26,414	30,568
LIABILITIES NOT COVERED BY BUDGETARY RESOURCES		
Federal Employee and Veterans Benefits Liabilities (Note 13)	547,285	484,420
Environmental and Disposal Liabilities (Note 17)	240	199
Insurance Liabilities (Note 14)	531	524
Other Liabilities (Note 11)	1,680	1,300
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	549,736	486,443
TOTAL LIABILITIES	576,150	517,011
NET POSITION		
Unexpended Appropriations (Note 15)	4,132	4,748
Cumulative Results of Operations	(536,326)	(472,908)
TOTAL NET POSITION	(532,194)	(468,160)
TOTAL LIABILITIES AND NET POSITION	$ 43,956	$ 48,851

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENTS OF NET COST

(DOLLARS IN MILLIONS)

YEARS ENDED SEPTEMBER 30,	2000	1999
NET PROGRAM COSTS (NOTE 19)		
Medical Care	$ 19,072	$ 17,573
Medical Education	782	830
Medical Research	718	650
Compensation	19,584	18,520
Pension	3,161	3,249
Education	1,084	944
Vocational Rehabilitation and Employment	496	509
Loan Guaranty	(423)	1,251
Insurance	100	71
Burial	253	224
NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES*	44,827	43,821
Changes in Veterans Benefits Actuarial Liabilities (Note 13)		
Compensation	62,600	(94,127)
Burial	(100)	(822)
SUBTOTAL	62,500	(94,949)
NET NON-VA PROGRAM COSTS	(17)	10
NET COST OF OPERATIONS (NOTE 19)	$ 107,310	$ (51,118)

*THE 2000 AND 1999 CHANGES IN VETERANS BENEFIT LIABILITIES WERE RECLASSIFIED IN ORDER NOT TO DISTORT THE PROGRAM COST BEING REPORTED IN THE COMPENSATION AND BURIAL ACTIVITIES.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
(DOLLARS IN MILLIONS)

YEARS ENDED SEPTEMBER 30,	2000	1999
NET COST OF OPERATIONS	$ 107,310	$ (51,118)
Financing Sources (Other than Exchange Revenue)		
Appropriations Used	45,508	44,367
Other Non-Exchange Revenue	18	3
Donations	46	44
Imputed Financing	776	786
Transfers -In	-	32
Transfers -Out	(1,083)	(700)
Subtotal	45,265	44,532
Net Results of Operations	(62,045)	95,650
Increase or Decrease in Unexpended Appropriations and Non Operating Changes	(1,223)	(589)
Change in Net Position	(63,268)	95,061
Net Position-Beginning of Period	(468,160)	(563,164)
Prior Period Adjustments (Note 22)	(263)	3
Cumulative Effect of Changes in Accounting Principles (Note 22)	(503)	(60)
Net Position-End of Period	$ (532,194)	$ (468,160)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENTS OF BUDGETARY RESOURCES (NOTE 18)
(DOLLARS IN MILLIONS)

YEARS ENDED SEPTEMBER 30,	2000	1999
Budgetary Resources		
Budget Authority	$ 48,667	$ 47,609
Unobligated Balance at the Beginning of the Period	21,446	20,034
Net Transfers -Prior Year Balance	(117)	(41)
Spending Authority from Offsetting Collections	10,756	9,488
Adjustments	(2,183)	(1,395)
Total Budgetary Resources	$ 78,569	$ 75,695
Status of Budgetary Resources		
Obligations Incurred	$ 57,455	$ 54,250
Unobligated Balance Available	13,662	15,823
Unobligated Balance Not Yet Available	7,452	5,622
Total Status of Budgetary Resources	$ 78,569	$ 75,695
Outlays		
Obligations Incurred	$ 57,455	$ 54,250
Less Spending Authority from Offsetting Collections and Adjustments	(10,895)	(9,868)
Subtotal	$ 46,560	$ 44,382
Obligated Balance, Net Beginning of Period	7,098	7,335
Adjustments to Obligated Balance	124	-
Less Obligated Balance, Net End of Period	(5,402)	(7,098)
Total Outlays	$ 48,380	$ 44,619

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENTS OF FINANCING (NOTE 21)

(DOLLARS IN MILLIONS)

YEARS ENDED SEPTEMBER 30,	2000	1999
OBLIGATIONS AND NON-BUDGETARY RESOURCES		
Obligations Incurred	$ 57,455	$ 54,250
Less Spending Authority from Offsetting Collections and Adjustments	(10,895)	(9,868)
Donations Not in the VA's Budget	16	15
Financing Imputed for Cost Subsidies	776	786
Transfers -in (out)	(1,066)	1,099
Exchange Revenue Not in the VA's Budget	(496)	(13)
Non-Exchange Revenue Not in the VA's Budget	15	-
Less Trust Fund Receipts Related to Exchange Revenue in VA's Budget	(1,085)	(1,146)
Other Financing Sources	(573)	(570)
TOTAL OBLIGATIONS AS ADJUSTED AND NON-BUDGETARY RESOURCES	44,147	44,553
RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	68	474
Change in Unfilled Customer Orders	76	(45)
Costs Capitalized on the Balance Sheet	(4,455)	(4,750)
Financing Sources That Fund Costs of Prior Periods	(1,393)	(95,081)
Collections that Decrease Credit Program Receivables or Increase Credit Liabilities	5,251	260
Other	(691)	1,713
TOTAL RESOURCES THAT DO NOT FUND NET COSTS OF OPERATIONS	(1,144)	(97,429)
COSTS THAT DO NOT REQUIRE RESOURCES		
Depreciation and Amortization	912	906
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	116	118
Revaluation of Assets and Liabilities	-	1
Loss on Disposition of Assets	105	124
Other	349	(150)
TOTAL COSTS THAT DO NOT REQUIRE RESOURCES	1,482	999
FINANCING SOURCES YET TO BE PROVIDED	62,825	759
NET COST OF OPERATIONS	$ 107,310	$ (51,118)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

(DOLLARS IN MILLIONS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Department of Veterans Affairs (VA) consolidated financial statements report all activities of VA, which include the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA) and Departmental staff organizations. The financial statements are prepared to meet the requirements of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994. The financial statements differ from the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding that VA is a component unit of the U.S. Government. VA Fiscal Year (FY) 2000 and FY 1999 financial statements are presented in conformity with the Office of Management and Budget's (OMB) Bulletin No. 97-01, “Form and Content of Agency Financial Statements”, as amended.

REPORTING ENTITY

The mission of VA is to provide medical care, benefits, social support, and lasting memorials to veterans, their dependents, and beneficiaries [(38 U.S.C. Section 301(b) 1997)].

The Department is organized under the Secretary of VA. The Secretary's office includes a Deputy Secretary and has direct lines of authority over the Under Secretary for Health (VHA), the Under Secretary for Benefits (VBA), and the Under Secretary for Memorial Affairs (NCA). Additionally, six Assistant Secretaries, an Inspector General, a General Counsel, and the chairmen of the Board of Contract Appeals and the Board of Veterans' Appeals support the Secretary.

BUDGETS AND BUDGETARY ACCOUNTING

Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of Federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of the purchase. Assets and liabilities, which do not consume budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with the Federal Accounting Standards Advisory Board (FASAB) standards and related concepts. The American Institute of Certified Public Accountants (AICPA) designated FASAB as the accounting standard-setting body for Federal governmental entities. As a result, accounting principles promulgated by FASAB are considered Generally Accepted Accounting Principles (GAAP) for Federal governmental entities.

REVENUES AND OTHER FINANCING SOURCES

Exchange revenues are recognized when earned to the extent the revenue is payable to VA from other Federal agencies or the public as a result of costs incurred or services performed on their behalf. Revenue is recognized at the point the service is rendered. Imputed financing sources consist of imputed revenue for expenses relating to legal claims paid by Treasury's Judgment Fund and post retirement benefits for VA employees. Non-exchange revenue, e.g., donations, are recognized when received, and related receivables are recognized when measurable and legally collectible, as are refunds and related offsets.

ACCOUNTING FOR INTRAGOVERNMENTAL ACTIVITIES

VA, as a department of the Federal Government, interacts with and is dependent upon the financial activities of the Federal Government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to VA as though the department was a stand-alone entity.

In order to prepare reliable financial statements, transactions occurring between VA components must be eliminated. All significant intra-entity transactions were eliminated from VA's consolidated financial statements.

FUND BALANCE WITH TREASURY

The U.S. Treasury (Treasury) performs cash management activities for all Federal government agencies. The Fund Balance with Treasury represents the right of VA to draw on the Treasury for allowable expenditures. Trust fund balances consist primarily of amounts related to the Post-Vietnam Educational Assistance Trust Fund, The National Service Life Insurance (NSLI) Fund, The United States Government Life Insurance (USGLI) Fund, The Veterans Special Life Insurance (VSLI) Fund, General Post Fund, and The National Cemetery Gift Fund. The use of these funds is restricted.

CASH

Cash consists of Canteen Service and Loan Guaranty Program amounts held in commercial banks. Treasury processes all other cash receipts and disbursements. Amounts relating to the Loan Guaranty Program represent deposits with trustees for offsets against loan loss claims related to sold loan portfolios.

INVESTMENTS

Investments are reported at cost and are redeemable at any time for their original purchase price. Insurance program investments, which comprise most of VA's investments, are in non-marketable Treasury special bonds and certificates. Interest rates for Treasury special securities are based on average market yields for comparable Treasury issues. Special bonds, which mature during various years through the year 2015, are generally held to maturity unless needed to finance insurance claims and dividends. Other investments from VA programs are in securities issued by Treasury, with the exception of the Loan Guaranty

Program investments, which are in trust certificates issued by the American Housing Trust, a private entity not associated with the Government.

Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in American Housing Trust I through V certificates. The estimated allowance computations are based upon discounted cash flow analysis. Although VA continues to use the income from these subordinate certificates to cover the immediate cash requirements of the Federal guarantee on loans sold under American Housing Trust VI through XI certificates and the Veterans Mortgage Trust program, the income is reimbursed to VA and is not used to pay the amount of the realized losses on guaranteed loan sales.

ACCOUNTS RECEIVABLE

Accounts Receivable, Intragovernmental consists of amounts due from other agencies. No allowances for losses are required.

Public Accounts Receivable consists mainly of amounts due from patients and third-party insurers for veterans' health care and amounts due from individuals for compensation, pension, and readjustment benefit overpayments. Based on prior experience, allowances for bad debt losses have been established at approximately 12 percent for medical-related receivables, 49 percent for educational-related receivables, and 76 percent for compensation and pension benefit overpayment-related receivables.

LOANS RECEIVABLE

Loans Receivables are recorded as funds are disbursed. For loans obligated prior to October 1, 1991, loan principal and interest receivable amounts are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience and an analysis of outstanding balances. For loans obligated after October 1, 1991, an allowance equal to the subsidy costs associated with these loans reduces the loans receivable. This reduction is due to the interest rate differential between the loans and the Treasury borrowing, the estimated delinquencies and defaults, net of recoveries, the offsets from fees, and other estimated cash flows.

INVENTORIES

Inventories consist of items such as precious metals held for sale and Canteen Service retail store stock and are valued at cost, utilizing the First In First Out (FIFO) method. VA follows the purchase method of accounting for operating, medical, and pharmaceutical supplies in the hands of end users, which provides that these items be expensed when purchased. VA defines an end user as a VA medical center, regional office, or cemetery.

PROPERTY, PLANT, AND EQUIPMENT

The majority of the general property, plant, and equipment is used to provide medical care to veterans and is valued at cost, including transfers from other Federal agencies. Major additions, replacements, and alterations are capitalized whereas routine maintenance is expensed when incurred. Construction costs are capitalized as Construction in Progress until completion, and then transferred to the appropriate property account. Individual items are capitalized if the useful life is two years or more and the unit price is $25,000 or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is also depreciated straight-line over its useful life, usually 5 to 20 years. There are no restrictions on the use or convertibility of general property, plant, and equipment.

All VA heritage assets are multi-use facilities and are classified as general property, plant, and equipment. Depreciation and amortization expense totaled $912 and $906 million in FY 2000 and FY 1999, respectively.

OTHER ASSETS

Public advance payments are primarily to hospitals and medical schools under house staff contracts, grantees, beneficiaries, and employees on official travel. Intragovernmental advance payments are primarily to the General Services Administration (GSA) and Government Printing Office (GPO) for supplies, printing, and equipment.

ACCOUNTS PAYABLE

Accounts Payable, Intragovernmental consist of amounts owed to other Federal agencies. The remaining accounts payable consist of amounts due to the public.

LOAN GUARANTEES

For direct loan obligations and loan guaranty commitments made after 1991, the resulting direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. The present value of the subsidy costs associated with direct loans and loan guarantees is recognized as a cost in the year the direct or guaranteed loan is disbursed. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimated will most likely require a future cash outflow to pay defaulted claims. Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The guaranteed loan sales liability represents the present value of the estimated cash flows to be paid by VA as a result of the guarantee. VA guarantees that the principal and interest payment due on a loan will be paid by the 15th of each month. If the payment is not made, VA allows the loan servicer to receive funds from a cash reserve account for the amount of the deficiency. VA guarantees the loans against losses at foreclosure. Although VA will not buy back the loan, VA will pay off the loan loss and foreclosure expenses.

DEBT

All Intragovernmental debt is due to Treasury and is primarily related to borrowing by the Loan Guaranty Program. The interest rates ranged from 6.04 to 6.36 percent in FY 2000 and from 4.76 to 5.81 percent in FY 1999. VA's financial activities interact with and are dependent upon those of the Federal Government as a whole.

INSURANCE LIABILITIES

Actuarial reserve liabilities for VA's insurance programs are based on mortality and interest assumptions at the time of issue. These assumptions vary by fund, type of policy and type of benefit. The interest assumptions ranged from 2.25 to 5.0 percent in FY 2000.

ANNUAL LEAVE

The accrued annual leave balance is adjusted at the end of the fiscal year to reflect current pay rates for leave that has been earned but not taken. Sick and other types of non-vested leave are expensed as taken. To the extent appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

WORKERS' COMPENSATION LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. Claims incurred for benefits for VA employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by VA.

Workers' compensation is comprised of two components: (1) the accrued liability which represents money owed by VA to DOL for claims paid by DOL on behalf of VA through the current fiscal year, and (2) the actuarial liability for approved compensation cases to be paid beyond the current year.

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases and for potential cases related to injuries incurred but not reported. The liability is determined utilizing historical benefit payment patterns related to a special period to estimate the ultimate payments related to that period.

PENSION, OTHER RETIREMENT BENEFITS, AND OTHER POST-EMPLOYMENT BENEFITS

Each employing Federal agency is required to recognize its share of the cost and imputed financing of providing pension and post-retirement health benefits and life insurance to its employees, effective with the fiscal year ended September 30, 1996. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses were provided by the Office of Personnel Management (OPM) to each agency to meet this requirement.

VA's employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which VA makes contributions according to plan requirements. CSRS and FERS are multi-employer plans. VA does not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. The reporting of such amounts is the responsibility of OPM.

VETERANS BENEFITS LIABILITY

VA provides compensation benefits to veterans who die or are disabled from military service connected causes as well as their dependents. These benefits are provided in exchange for a veteran's military service. The liability for future compensation payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the number of veterans and dependents receiving payments, discount rates, cost of living adjustments and life expectancy, impact the amount of the liability.

LITIGATION

VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims, will not materially affect the financial position or results of operations.

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. FUND BALANCE WITH TREASURY

FUND BALANCE WITH TREASURY AS OF SEPTEMBER 30,	2000	1999
Entity Assets		
Trust Funds	$ 104	$ 120
Revolving Funds	7,100	5,929
Appropriated Funds	5,104	8,266
Special Funds	59	51
Other Fund Types	23	17
Total Entity Assets	12,390	14,383
Non-Entity Assets		
Special Funds*	-	1,771
Other Fund Types	44	44
Total Non-Entity Assets	44	1,815
Total Entity and Non-Entity Assets	12,434	16,198
Reconciliation of VA General Ledger Balances with Treasury		
Entity VA General Ledger	12,031	15,801
Reconciled Differences	413	368
Unreconciled Differences	(10)	29
Fund Balance with Treasury	$ 12,434	$ 16,198

*The Fund Balance with Treasury amount recorded as a non-entity special fund balance in FY 99 has been returned to Treasury using a newly established Treasury general fund receipt account. Fund Balance with Treasury amounts related to credit reform subsidy downward reestimates will no longer be retained in VA special funds.

3. CASH

CASH AS OF SEPTEMBER 30,

	2000	1999
Canteen Service	$ 1	$ 1
Loan Guaranty Program	28	60
Total Cash	$ 29	$ 61

4. INVESTMENTS

INVESTMENT SECURITIES AS OF SEPTEMBER 30,

		2000	1999
Intragovernmental Securities	Interest Range		
Special Bonds	5.875-11.125%	$ 14,092	$ 14,213
Treasury Notes *	5.375-8.5%	57	51
Treasury Bills	4.73-6.15%	39	36
Subtotal		14,188	14,300
Accrued Interest		262	272
Total Intragovernmental Securities		$ 14,450	$ 14,572
Other Securities			
Trust Certificates (Loan Guaranty)		$ 221	$ 239
Total Other Securities		$ 221	$ 239

*The investment in Treasury Notes includes unamortized premiums of $.18 million as of September 30, 2000 and 1999. Premiums and discounts are amortized on a straight-line basis over the life of the investments.

OFFSET FOR LOSSES ON INVESTMENTS AS OF SEPTEMBER 30,

	2000	1999
Investment in Subordinate Certificates at Time of Sale	$ 424	$ 424
Cumulative Reductions	(169)	(143)
Subtotal	255	281
Allocation of Loss Provision	(34)	(42)
Other Securities	$ 221	$ 239

5. ACCOUNTS RECEIVABLE, NET

ACCOUNTS RECEIVABLE, NET AS OF SEPTEMBER 30,

	2000	1999
Intragovernmental Accounts Receivable	$ 259	$ 731
Public Accounts Receivable, Gross	2,165	1,096
Allowance for Loss Provision	(1,194)	(517)
Net Public Accounts Receivable	$ 971	$ 579

6. OTHER ASSETS

OTHER ASSETS AS OF SEPTEMBER 30,		2000		1999
Intragovernmental Advance Payments	$	93	$	181
Public Advance Payments	$	27	$	22

7. LOANS RECEIVABLE, NET AND RELATED DISCLOSURES

Direct loan obligations and loan guarantee commitments made after 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. The Act provides that the present value of the subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimates will most likely require a future cash outflow to pay defaulted claims.

Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The recorded value of loans receivable, net, and the value of assets related to direct loans are not the same as the proceeds that VA would expect to receive from selling its loans. VA operates the following direct loan and loan guaranty programs:

Vocational Rehabilitation and Employment;
Education;
Insurance; and
Loan Guaranty

Under the Loan Guaranty Program, a loan may be made to an eligible veteran by an approved private sector mortgage lender. VA guarantees payment to the holder of such a loan of a fixed percentage of the loan indebtedness, up to a maximum dollar amount, in the event of default by the veteran borrower. When a delinquency is reported to VA and no realistic alternative to foreclosure is developed by the loan holder or VA supplemental servicing of the loan, VA determines through an economic analysis, whether VA will authorize the holder to convey the property securing the loan (foreclosure) or pay the loan guarantee amount to the holder.

Loans Receivable

Loans receivable represent the net value of assets related to pre-1992 and post-1991 direct loans acquired, defaulted guaranteed loans, and non-defaulted guaranteed loans.

For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated uncollectible loans). For post-1991 loans, the assets are offset by an allowance for subsidy costs. An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the direct loans and loan guarantees are provided in the tables that follow:

TOTAL LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET AS OF SEPTEMBER 30,

2000	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 141	$ 22	$ (55)	$ -	$ 108
Defaulted Guaranteed Loans Pre-1992 Guarantees	214	6	(196)	131	155
Defaulted Guaranteed Loans Post-1991	-	-	-	983	983
Non-defaulted guaranteed Loans (Insurance policy)	913	22	-	-	935
Total Loans Receivable and Related Foreclosed Property, Net					**$ 3,834**

TOTAL LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET AS OF SEPTEMBER 30,

1999	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 155	$ 59	$ (69)	$ -	$ 145
Direct Loans Obligated after 1991	1,713	45	(124)	24	1,658
Defaulted Guaranteed Loans Pre-1992 Guarantees	329	-	(299)	211	241
Defaulted Guaranteed Loans Post-1991 (Present Value Method)	44	-	-	1,119	1,163
Non-defaulted guaranteed Loans (Insurance policy)	927	22	-	-	949
Total Loans Receivable and Related Foreclosed Property, Net					$ 4,156

FORECLOSED PROPERTY

Prior to the foreclosure of property secured by a VA loan, VA obtains an independent appraisal of the property. This appraisal is reviewed by VA appraisal staff and VA makes a determination of the fair market value. To determine the net value of the property, VA costs for acquisition, management and disposition of the property, as well as estimated losses on property resale, are subtracted from the estimated fair market value. As of September 30, 2000 and 1999, the estimated number of residential properties in VA's inventory was 13,000 and 12,044, respectively. For FY 2000 and FY 1999, the average holding period from the date properties were conveyed to VA until the properties were sold was estimated to be 9 months and 9.7 months, respectively. The number of properties for which foreclosure proceedings are in process is estimated to be 18,500 and 17,906 as of September 30, 2000 and 1999, respectively.

GUARANTEED LOANS AS OF SEPTEMBER 30,		2000		1999
Outstanding Principal Guaranteed Loans, Face Value	$	216,360	$	214,000
Amount of Outstanding Principal, Guaranteed		71,764		71,900
Liabilities for Loan Guarantees Post 1991 (Present Value)	$	5,017	$	5,808

GUARANTY COMMITMENTS

As of September 30, 2000, VA had outstanding commitments to guarantee loans that will originate in FY 2001. The number and amount of commitments could not be determined, as VA has granted authority to various lenders to originate VA loans that meet established criteria without prior VA approval. Nearly 90 percent of VA's guaranteed loans originate under this authority.

PROVISION FOR LOSSES ON PRE-1992 LOANS

One element of the cost of the mortgage loan benefit that VA provides to veterans is the present value of the cost VA will bear as loans already guaranteed default in the future. This cost is reflected in the financial statements as an offset to the value of certain related assets.

The provision for losses on guaranteed loans is based upon historical loan foreclosure results applied to the average loss on defaulted loans. The calculation is also based on the use of the average interest rate of U. S. interest-bearing debt as a discount rate on the assumption that VA's outstanding guaranteed loans will default over a 12-year period. The discount rate used in the calculation was 6.6 and 6.5 percent for FY 2000 and FY 1999, respectively. The components of the provision are as follows:

PROVISION FOR LOSS AS OF SEPTEMBER 30,		2000		1999
Offsets Against Loans Receivable	$	55	$	53
Offsets Against Foreclosed Property Held for Sale		8		7
Offsets Against Investments		-		42
Reserve for Losses on Guaranteed Loans		-		16
Total Provision for Loss	$	63	$	118

SUBSIDY EXPENSE FOR POST-1991 DIRECT LOANS

Pursuant to the Credit Reform Act, all direct loans established and guaranteed loans closed after September 30, 1991, will be subsidized. In FY 1999, VA reestimated the subsidy expense for all loan sale guarantees made between FY 1992 and FY 1998, and estimated the subsidy expense for loan sale guarantees issued in FY 1999. The subsidy expense for direct loans and loan guarantees related to the Loan Guaranty Program is as shown:

DIRECT LOAN SUBSIDY EXPENSE FOR THE YEARS ENDED SEPTEMBER 30,	2000	1999
Interest Differential	$ (110)	$ 3
Defaults*	41	119
Fees**	(1,224)	(81)
Other***	1,333	86
Subtotal	40	127
Interest Modifications Reestimates	(107)	(154)
Total Direct Loans	$ (67)	$ (27)

* Includes approximately $221,000 and $123,000 in defaults and other expenses for the Vocational Rehabilitation Program for FY 2000 and 1999 respectively.
** "Fee" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.
*** The "Other" expense for direct loans includes the estimated loss of scheduled principal and interest when vendee loans are sold.

GUARANTEED LOAN SUBSIDY EXPENSES FOR THE YEARS ENDED SEPTEMBER 30,	2000	1999
Defaults	$ 1,605	$ 3,242
Fees*	(359)	(819)
Other**	(1,109)	(2,225)
Subtotal	137	198
Loan Modifications Reestimates	(696)	307
Total Guaranteed Loan Subsidy Expense	$ (559)	$ 505

* The "Fee" expense includes estimated up-front fees collected when the loans are guaranteed and the present value of estimated annual fees from loan assumptions.
** The "Other" expense for guaranteed loans includes estimated recoveries on defaults through the sales of foreclosed properties.

LOAN SALE-GUARANTEED LOAN SUBSIDY EXPENSE FOR THE YEARS ENDED SEPTEMBER 30,	2000	1999
Defaults	$ 75	$ 48
Other	4	4
Subtotal	79	52
Reestimates	(75)	360
Total Loan Sale-Guaranteed Subsidy Expense	$ 4	$ 412

SUBSIDY EXPENSE FOR THE YEARS ENDED SEPTEMBER 30,	2000	1999
Total Direct Loans	$ (67)	$ (27)
Total Guaranteed Loans	(559)	505
Total Sale Loans	4	412
Total Subsidy Expense	$ (622)	$ 890

Administrative Expense

Administrative expense on direct and guaranteed loans for the years ended September 30, 2000 and 1999, was $157 and $160 million, respectively.

Loan Sales

VA continues to have vendee loan sales to reduce the administrative burden of servicing vendee loans. During the period FY 1992 through FY 2000, the total loans sold amounted to $11.4 billion. Under the sale of vendee loans, certificates are issued pursuant to the Pooling and Servicing Agreement (the Agreement) among VA, the Master Servicer, and the Trustee. On the closing date of the certificates, VA transfers its entire interest in the related loans to the Trustee for the benefit of the related certificate holders pursuant to the Agreement. Under the Agreement, the Trust will issue certificates backed by mortgage loans and installment contracts. The Trust owns the mortgage loans and other property described in the offering and the Trust makes elections to treat certain of its assets as one or more REMICs for U.S. Federal income tax purposes. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. The certificates are issued as part of a designated series that may include one or more classes. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates and it is backed by the full faith and credit of the Federal Government.

VA may terminate the Trust causing the early retirement of certificates, by purchasing all of the Trust's assets on any distribution date on or after the distribution date on which the current aggregate principal balance of all principal certificates is less than 1 percent of the original aggregate principal balance of the certificates or if VA determines that the Trust's REMIC status has been lost or that a substantial risk exists that such status will be lost. In the event of termination, the certificate holder will be entitled to receive payment for the full principal balance of the certificates plus any accrued interest and unpaid interest through the related distribution date.

The Agreement requires the mortgage loans to be serviced generally in compliance with Fannie Mae and Freddie Mac standards and consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. The mortgage loans are serviced by Countrywide Home Loans, Inc. (formerly Countrywide Funding Corporation) ("CHL" or "Master Servicer"). The Master Servicer is responsible for the performance of all of the servicing functions under the Agreement. The Master Servicer is entitled to be compensated by receiving (1) a service fee of 0.2075 percent per annum payable monthly and calculated by multiplying the interest payment received by a fraction, the numerator of which is 0.2075 percent and the denominator of which is the mortgage interest rate on such loan; (2) earnings on investment of funds in the certificate account;

and (3) all incidental fees and other charges paid by the borrowers and a portion of the liquidation proceeds in connection with the liquidated loans.

VA completed four sales during FY 2000 and two sales during FY 1999 totaling approximately $1.5 billion and $1 billion of vendee loans, respectively. The components of the vendee sales are summarized in the tables below:

LOAN SALES YEARS ENDED SEPTEMBER 30,	2000	1999
Loans Receivable Sold	$ 1,493	$ 968
Proceeds From Sale*	1,466	960
Loss (Gain) on Receivables Sold	$ 27	$ 8

*Information presented does not reflect the transaction expenses incurred to sell the loans.

OUTSTANDING BALANCE OF LOAN SALE GUARANTEES

All loans sold under the American Housing Trust (AHT VI through AHT XI) and the Vendee Mortgage (VMT 92-1 through 00-3) programs carry a full government guarantee. The outstanding balance for guaranteed loans sold is summarized in the table below:

GUARANTEED LOANS SOLD AS OF SEPTEMBER 30,	2000	1999
Outstanding Balance Guaranteed Loans Sold, Start of Year	$ 7,610	$ 6,946
Guaranteed Loans Sold to the Public	1,493	968
Payments, Repayments, and Terminations	(949)	(304)
Outstanding Balance Guaranteed Loans Sold, End of Year	$ 8,154	$ 7,610

LIABILITY FOR LOAN SALE GUARANTEES (POST-1991)

Starting in FY 1999, VA began reporting the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs. All guaranteed loan sales after September 30, 1991, are subject to Credit Reform requirements. For these loans, the guaranteed loan sale liability represents the present value of the estimated net cash flows to be paid by VA as a result of the guarantee. VA guarantees that the principal and interest payment due on a loan will be paid by the 15th of each month. If the payment is not made, VA allows the loan servicer to receive funds from a cash reserve account for the amount in deficiency. VA also guarantees the loan against loss at foreclosure. Although VA will not buy back the loan, VA will pay off the loan loss and foreclosure expenses. The liability for loan sale guarantees is currently $215 million.

8. INVENTORIES

INVENTORIES AS OF SEPTEMBER 30,	2000	1999
Held for Current Sale	$ 60	$ 65
Excess, Obsolete and Unserviceable	14	10
Held for Repair and Parts	-	1
Total Inventories	$ 74	$ 76

9. GENERAL PROPERTY, PLANT, AND EQUIPMENT

GENERAL PROPERTY, PLANT, AND EQUIPMENT AS OF SEPTEMBER 30,

	2000			1999
	Cost	Accumulated Depreciation	Net Book Value	
Land and Improvements	$ 191	$ (2)	$ 189	$ 176
Buildings	13,824	(5,609)	8,215	7,987
Equipment	3,682	(2,019)	1,663	2,194
Other	1,734	(925)	809	768
Construction in Progress	688	-	688	911
Total Property, Plant, and Equipment	$ 20,119	$ (8,555)	$ 11,564	$ 12,036

10. DEBT

All Intragovernmental debt is due to the Treasury and is primarily related to borrowing by the Loan Guaranty Program. The interest rates ranged from 6.04 to 6.36 percent in FY 2000 and from 4.76 to 5.81 percent in FY 1999. VA's financial activities interact with and are dependent upon those of the Federal Government as a whole. Intragovernmental debt as of September 30, 2000, and 1999 was $1,827 and $2,540 million, respectively. The debt for fiscal year 2000 includes accrued interest payable of $9.8 million.

11. OTHER LIABILITIES

INTRAGOVERNMENTAL FUNDED LIABILITIES AS OF SEPTEMBER 30,

	2000	1999
Deposit and Clearing Account Liabilities	$ 12	$ 15
Accrued Payables - Federal	14	-
Deferred Revenue	84	19
Resources Payable to Treasury	812	731
Custodial Liabilities*	1,420	2,251
General Fund Receipts Liability	22	31
Accrued VA Contributions for Employee Benefits	86	80
Total Intragovernmental Funded Liabilities	$ 2,450	$ 3,127

* The Custodial Liabilities Accounts include subsidy reestimates for loans made after September 30, 1991, which are subject to the provisions of the Credit Reform Act of 1990. The liability provision for future losses on credit reform guaranteed loans is comprised of a funded subsidy for each loan guaranteed at the rate equal to the amount of the present value of estimated loss to the Government for the cohorts of loans. The subsidy amount for each cohort is reestimated annually to ensure amounts reflect the actual losses on guaranteed loans. Based on the reestimated amounts, additional subsidy funds are provided for or excess funds are returned.

PUBLIC FUNDED LIABILITIES AS OF SEPTEMBER 30,	2000	1999
Accrued Funded Annual Leave	$ 9	$ 9
Accrued Payables	1,390	1,205
Accrued Salaries and Benefits	400	558
Contract Holdbacks	21	22
Unredeemed Coupons	1	1
Deposit and Clearing Account Liability	53	45
Unearned Premiums	136	143
Insurance Dividends Left on Deposit and Related Interest Payable*	1,526	1,461
Capital Lease Liability	27	24
Dividend Payable to Policyholders	322	345
Custodial Liability	-	46
Reserve for Losses on Guaranteed Loans	-	16
Total Public Funded Liabilities	$ 3,885	$ 3,875

*Interest earned on dividends left on deposit is paid annually to insurance policyholders on the policy anniversary dates.

PUBLIC UNFUNDED LIABILITIES AS OF SEPTEMBER 30,	2000	1999
Annual Leave*	$ 936	$ 904
Capital Lease Liability	8	1
Judgment Fund-Unfunded**	415	82
Accrued FECA Liability	321	313
Total Intragovernmental Funded Liabilities	$ 1,680	$ 1,300

*Annual leave is accrued when earned and is adjusted at the end of the fiscal year to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.
** The Judgment Fund liability amount represents the estimate for future payments on legal cases that will be paid by the Treasury Judgment Fund on behalf of VA.

12. LEASES

VA has both capital and operating leases. The capital lease liability is $35 and $24 million as of September 30, 2000 and 1999, respectively. Due to the number of operating leases and the decentralization of records, the future commitment for operating leases is not known. VA's FY 2000 operating lease costs were $186 million for real property rentals and $51 million for equipment rentals. The FY 1999 operating lease costs consisted of $185 million for real property rentals and $46 million for equipment rental. The following chart represents VA's estimate for operating lease costs for the next five years, assuming a 3.5 percent yearly increase in cost.

LEASES:

YEAR	REAL PROPERTY	EQUIPMENT
2001	$ 193	$ 53
2002	200	55
2003	207	57
2004	214	59
2005	221	61

13. FEDERAL EMPLOYEE AND VETERANS BENEFITS

FEDERAL EMPLOYEE BENEFITS

IMPUTED EXPENSES-EMPLOYEE BENEFITS YEARS ENDED SEPTEMBER 30,	2000	1999
Civil Service Retirement System	$ 250	$ 270
Federal Employees Health Benefits	446	445
Federal Employees Group Life Insurance	1	1
Total Imputed Expenses-Employee Benefits	$ 697	$ 716

VETERANS BENEFITS

Certain veterans who die or are disabled from military service-connected causes as well as their dependents receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a plot allowance for burial in a private cemetery. These benefits are provided in recognition of a veteran's military service and are recorded as a liability on the balance sheet.

FEDERAL EMPLOYEE AND VETERANS BENEFITS LIABILITIES AS OF SEPTEMBER 30,	2000	1999
FECA	$ 1,585	$ 1,220
Compensation	542,900	480,300
Burial	2,800	2,900
Total Federal Employee and Veterans Benefits Liabilities	$ 547,285	$ 484,420

VA provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled from non service- connected causes. The actuarial present value of the future liability for pension benefits is a non-exchange transaction and is not required to be recorded on the balance sheet. The projected liability for pension benefits (presented for informational purposes only) as of September 30, 2000, and 1999 was $71.6 and $73.3 billion, respectively.

ASSUMPTIONS USED TO CALCULATE THE VETERANS BENEFITS LIABILITY

Several significant actuarial assumptions were used in the valuation of compensation, pension, and burial benefits to calculate the present value of the liability. Future cash flows were discounted in perpetuity. A liability was recognized for the projected benefit payments to: (1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; (2) current veterans who will in the future become beneficiaries of the compensation and pension programs; and (3) a proportional share of those in active military service as of the valuation date who will become veterans in the future. Survivors of those veterans in classes (1), (2), and (3) who receive benefits after death of the veteran are also incorporated into the projection.

Discount rates were based on rates on securities issued by the Treasury on September 30, 2000, ranging from 5.88 to 6.07 percent, and on September 30, 1999, ranging from 5.22 to 6.06 percent. Cash flows were assumed to occur at the midpoint of the fiscal year.

All calculations were done by program. The calculation for pension benefits was performed separately for each law: Protected (Old Law), Section 306, and P.L. 95-588. Burial liabilities were calculated on an overall basis.

Dollars by category and by age were used in the liability for compensation and pension benefits. Therefore, ratios, trends in caseloads, and mortality tables were used to allocate dollars in these areas.

Life expectancies of veterans collecting benefits from the compensation and pension programs are based upon studies of mortality experience of those beneficiaries between 1994 and 2000. Life expectancies of veterans not collecting these benefits used in the calculation of the liability for future beneficiaries are based on mortality derived from the 1989-91 U.S. decennial census. Applying mortality improvements at a rate of 1 percent per annum brought both sets of mortality rates forward.

Cost of living adjustments (COLAs) were applied to determine the average benefits per veteran for each future time period. COLAs of 3.5 and 2.4 percent were assumed for fiscal years 2000 and 1999, respectively. For fiscal years after 2000, COLAs have been determined from OMB's estimates prepared in conjunction with the Administration's annual budget.

Expected benefit payments have been explicitly modeled for the next 70 years. This period is roughly the same as that used by the Office of the Actuary of the Social Security Administration (75 years). However, unlike Social Security, estimates of expected benefit payments after this 70-year period were reflected in the liability based on extrapolations reflecting aggregate experience by beneficiary category between the years 65 and 70.

14. INSURANCE PROGRAMS

The United States Government, through VA, administers five life insurance programs and the Veterans' Mortgage Life Insurance program for certain totally disabled veterans. VA supervises the Service Members' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs, which provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam veterans. United States Code, Title 38, requires the Life Insurance programs to invest in Treasury securities.

ADMINISTERED PROGRAMS

The United States Government Life Insurance (USGLI) program was the Government's first venture into life insurance. During WWI, the U.S. provided Marine Insurance to protect the interests of ship owners and merchants who were providing supplies to the allies in Europe. USGLI was the natural outgrowth of this Marine Insurance. The program was established to meet the needs of World War I veterans, but remained open to service members and veterans with service before October 8, 1940. The Government became a self-insurer since private insurance companies were unwilling to assume the unpredictable risks associated with a war. By establishing this program, Congress intended to avoid the financial burden imposed on the Government by the pension programs that were established after previous wars. The Government became the largest life insurer in the U.S. with the coverage provided by this program.

The National Service Life Insurance (NSLI) program covers policyholders who served during World War II. The program opened October 8, 1940, when it became clear that large-scale military inductions were imminent. Over 22 million policies were issued under the NSLI program. The majority of policies VA administers directly are NSLI policies. This program remained open until April 25, 1951, when two new programs were established for Korean War service members and veterans.

The Veterans' Special Life Insurance (VSLI) program was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post Korean period through January 1, 1957. During this period, all service members on active duty were covered for $10,000, at no cost, under a program known as Servicemen's Indemnity. They remained covered for 120 days after their discharge. The VSLI program allowed these newly discharged service members to apply for $10,000 of contract term insurance. Application had to be made during the 120-day period during which they remained covered by Servicemen's Indemnity. It was during this period that representatives of the commercial insurance industry began a major lobbying effort to get the Government out of the insurance business because the programs were viewed as competition. As a result, the VSLI program was closed to new issues at the end of 1956, and coverage for individuals in the services was terminated. Approximately 800,000 VSLI policies were issued between 1951 and 1957.

In addition to VSLI coverage, which was provided to healthy veterans, the Insurance Act of 1951 also established the Service-Disabled Veterans Insurance (S-DVI) program for veterans with service-connected disabilities. S-DVI is open to veterans separated from the service on or after April 25, 1951, who receive a service-connected disability rating of 0 percent or greater. New policies are still being issued under this program.

In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI, and the Veterans' Reopened Insurance (VRI) program was established. Beginning May 1, 1965, veterans who had been eligible to obtain insurance between October 8, 1940 and January 1, 1957, could once again apply for government life insurance. They had one year to apply for this "reopened" insurance, which was available *only* to disabled veterans. Approximately 228,000 VRI policies were issued. No term insurance policies were issued in this program.

The Veterans' Mortgage Life Insurance (VMLI) program began in 1971, and is designed to provide financial protection to cover eligible veterans' home mortgages in the event of death. VMLI is issued to those severely disabled veterans who have received grants for Specially Adapted Housing from VA. These grants are issued to veterans whose movement is substantially impaired because of their disability. The maximum amount of VMLI allowed an eligible veteran is $90,000. The insurance is payable if the veteran dies before the mortgage is paid off and is payable only to the mortgage lender.

SUPERVISED INSURANCE PROGRAMS

The Service Members' Group Life Insurance (SGLI) program was established in 1965, for Vietnam Era service members. SGLI is supervised by VA and is administered by the Office of Service Members' Group Life Insurance (OSGLI) under terms of a group insurance contract. This program provides low-cost term insurance protection to service members.

In 1974, the Veterans' Group Life Insurance (VGLI) program became available. VGLI, like SGLI, is supervised by VA, but is administered by the OSGLI. VGLI provides for the conversion of SGLI coverage to a five-year renewable term policy of insurance protection after a service member's separation from service.

PUBLIC INSURANCE CARRIERS

VA supervises the administration of the SGLI and VGLI programs. The Prudential Insurance Company of America (Prudential) provides veteran insurance coverage directly for the SGLI and VGLI programs. VA has entered into a Group Policy with the Prudential whereby Prudential and its reinsurers provide service members and veterans coverage in multiples of $10,000 up to a maximum of $200,000. The basic SGLI coverage is provided to those members on active duty in the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned members of the Public Health Service and the National Oceanic and Atmospheric Administration. The Ready Reserve is also insured by SGLI, and includes reservists and members of the National Guard who are assigned to a unit or position in which they may be required to perform active duty or active duty for training. The VGLI coverage is comprised of separated and retired active duty members and reservists who were covered under the Basic SGLI coverage.

Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active duty personnel are deducted from their pay by the Armed Services components through the Department of Defense (DoD). DoD, through the Defense Finance and Accounting Service (DFAS), remits premiums collected to VA. The premiums are passed through to Prudential. Prudential records the premiums and maintains investments on their accounting record separate and independent from the VA reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA reporting entity since the risk of loss on these programs is assumed by Prudential through the terms and conditions of the Group Policy.

Effective January 1, 1970, the Secretary of Veterans Affairs determines the costs that are traceable to the extra hazards of duty in the uniformed services, on the basis of the excess mortality incurred by members and former members of the uniformed armed services insured under SGLI, above what their mortality would have been under peacetime conditions. The Secretary is authorized to make adjustments regarding contributions from pay appropriations as may be indicated from actual experience.

RESERVE LIABILITIES

The insurance reserves for administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and VI&I reserves are reported as liabilities not covered by budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records since the risk of loss is assumed by Prudential. Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions at time of issue. These assumptions vary by fund, type of policy and type of benefit. The interest assumptions range from 2.25 to 5.0 percent. The mortality assumptions include the American Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, 1958 CSO Basic Table, and the 1980 CSO Basic Table.

INSURANCE LIABILITY (RESERVE) BALANCES

INSURANCE LIABILITY RESERVE BALANCES AS OF SEPTEMBER 30,	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals 2000	Reserve Totals 1999
Program					
NSLI	$ 10,196	$ 238	$ 248	$ 10,682	$ 10,821
USGLI	47	7	-	54	61
VSLI	1,395	14	43	1,452	1,421
S-DVI	413	2	114	529	524
VRI	435	3	7	445	456
VI&I	93	-	-	93	93
Subtotal	$ 12,579	$ 264	$ 412	$ 13,255	$ 13,376
Less Liability not Covered by Budgetary Resources				(531)	(524)
Liability Covered by Budgetary Resources				$ 12,724	$ 12,852

INSURANCE IN-FORCE

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. Prudential and its reinsurers provided coverage to 2,720,085 and 2,692,160 insured for a face value of $464.6 billion and $461.9 billion as of September 30, 2000, and 1999, respectively. The face value of the insurance provided by Prudential and its reinsurers represents 95.5 and 95.3 percent of the total insurance in-force as of September 30, 2000, and 1999, respectively. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

INSURANCE IN-FORCE AS OF SEPTEMBER 30,	Policies 2000	Policies 1999	Face Value 2000	Face Value 1999
Supervised Programs				
SGLI Active Duty	1,445,000	1,431,000	$ 272,455	$ 271,107
SGLI Ready Reservists	786,500	792,500	137,235	139,483
SGLI Post Separation	107,000	105,000	19,634	19,392
VGLI	381,585	363,660	35,259	31,899
Total Supervised	2,720,085	2,692,160	464,583	461,881
Administered Programs				
NSLI*	1,715,536	1,821,665	17,013	17,662
VSLI*	242,608	248,915	2,669	2,699
S-DVI	151,315	154,410	1,418	1,440
VRI*	77,638	82,617	648	675
USGLI	16,280	17,973	53	59
VMLI	3,457	3,518	198	201
Total Administered	2,206,834	2,329,098	21,999	22,736
Total Supervised and Administered Programs	4,926,919	5,021,258	$ 486,582	$ 484,617

*1999 Policy counts were restated to include policies with only paid-up additional coverage.

POLICY DIVIDENDS

The Secretary of VA determines annually the excess funds available for dividend payment. Dividends are based on an actuarial analysis of the individual programs at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up insurance or (5) deposit the amount in an interest bearing account. A provision for dividends is charged to operations, and an insurance dividend is established when gains to operations are realized in excess of those essential to maintain solvency of the insurance programs. Policy dividends for fiscal years 2000 and 1999 were $693 and $755 million, respectively.

15. UNEXPENDED APPROPRIATIONS

The total unexpended balance is the sum of undelivered orders and unobligated balances. Appropriation acts and other provisions of law provide authority to incur new obligations. An obligation represents an amount that is expected to be expended upon subsequent receipt of goods or services. The obligated balance is the cumulative amount of obligations incurred by VA for which outlays have not been made.

Undelivered orders are the amount of goods and services ordered for which delivery or performances have not yet occurred and are included in this balance. An unobligated balance is the amount available after deducting the cumulative obligations from total budgetary resources. In some instances, unobligated balances are not available due to legal constraints regarding the time limit and purpose for which funds can be obligated.

UNEXPENDED APPROPRIATIONS AS OF SEPTEMBER 30,	2000	1999
Unobligated Appropriations		
Available	$ 2,191	$ 2,603
Unavailable	443	400
Undelivered Orders		
Paid	119	200
Unpaid	1,406	1,545
Other	(27)	-
Total Unexpended Appropriations	$ 4,132	$ 4,748

16. CONTINGENCIES

VA is a party in various administrative proceedings, legal actions, and tort claims arising from various sources including: disputes with contractors, challenges to compensation and education award decisions, loan guaranty indemnity debt cases, and allegations of medical malpractice. Certain legal matters to which VA may be a named party are administered and, in some instances, litigated by the Department of Justice. Generally, amounts (more than $2,500 for Federal Tort Claims Act cases) to be paid under any decision, settlement, or award are funded from the Judgment Fund, which is maintained by Treasury. Of the amounts paid from the Judgment Fund, malpractice cases claimed 82 percent in FY 2000 and 80 percent in FY 1999. Contract dispute payments for FY 2000 and FY 1999 were $4.8 and $7.4 million, respectively.

VA has recorded a liability for pending legal claims that are estimated to be paid by the Judgment Fund. This liability is established for all pending claims whether reimbursement is required or not. This liability was $415 million for FY 2000 and $82 million for FY 1999. The significant increase in the liability for FY 2000 resulted from a change in the methodology used for the calculation. Additionally, there were 34 contract and personnel law cases totaling $308.7 million where there was at least a reasonable possibility that a loss may occur. However, due to the unique fact and law considerations of each case and the statistically insignificant number of such cases, no estimate of liability could be made. VA is also required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. Judgment Fund accounting is shown below:

JUDGMENT FUND AS OF SEPTEMBER 30,	2000	1999
Fiscal Year Settlement Payments	$ 84	$ 77
Less Contract Dispute Payments	(5)	(7)
Imputed Financing-Paid by Other Entities	79	70
Increase (Decrease) in Liability for Claims	70	13
Operating Expense	$ 149	$ 83

It is the opinion of VA's management and Office of General Counsel that resolution of pending legal actions as of September 30, 2000 will not materially affect VA's operations or financial position when consideration is given to the availability of the Judgment Fund appropriation to pay some court-settled legal cases. Fiscal year 2000 settlement payments were $83.5 million.

The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2000 and 1999, was $101.2 million and $102.5 million, respectively. Any payments that may arise relating to cancelled appropriations will be paid out of the current year's appropriations in accordance with the provisions of the Expired Funds Control Act of 1990.

17. ENVIRONMENTAL AND DISPOSAL

The Department of Veterans Affairs had unfunded environmental and disposal liabilities in the amount of $240 million and $199 million for the years ending September 30, 2000 and 1999, respectively. The majority of the unfunded liabilities involve asbestos removal, lead abatement, replacement of underground oil and gasoline tanks, decommissioning of waste incinerators, and decontamination of equipment prior to disposal.

While some facilities have applied prevailing state regulations that are more stringent than Federal guidelines, Occupational Safety and Health Administration (OSHA) and Environmental Protection Agency (EPA) are the legal basis for regulations behind the majority of VA's environmental and disposal liabilities. Estimated liabilities for these projects have been computed by the facility engineering staff based on similar projects already completed, or by independent contractors providing work estimates.

18. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

UNDELIVERED ORDERS

VA has obligations remaining at the end of each year for goods and services ordered but not yet received (undelivered orders). Aggregated undelivered orders amounted to $1.7 billion and $1.9 billion as of September 30, 2000 and 1999, respectively.

BORROWING AUTHORITY

Loan Guaranty had borrowing authority of $1.2 billion and $2 billion as of September 30, 2000, and 1999, respectively. The Vocational Rehabilitation Program had borrowing authority of $2.5 and $2.3 million as of September 30, 2000 and 1999, for making direct loans. Loan Guaranty borrowing was repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to Vinnie MAC trusts. The Vocational Rehabilitation loans generally had duration of 1 year, and repayment was made from offsetting collections.

ADJUSTMENTS TO BUDGETARY RESOURCES

Adjustment during the reporting period to budgetary resources available at the beginning of the year included VA appropriations that were subjected to a rescission of $79.5 million taken from the multi-year medical care account.

PERMANENT INDEFINITE APPROPRIATIONS

VA has three permanent and indefinite appropriations. The Veterans Housing Benefit Program Fund (36X1119) covers all estimated subsidy costs arising from post-1991 loan obligations for Veterans Housing Benefits. The Fund's objective is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The Loan Guarantee Revolving Fund (36X4025) is a liquidating account, which contains all of VA's pre-credit reform direct and guaranteed loans. It also holds fund balances received from reimbursements from financing accounts for loan modifications and rentals of foreclosed properties not yet transferred to financing accounts. This account is responsible for property management expenses prior to the sales of foreclosed properties. The Native American Direct Loan Account (36X1120) was established to cover all subsidy costs arising from direct loan obligations related to a veteran's purchase, construction, or renovation of a dwelling on trust land.

USE OF UNOBLIGATED BALANCES OF BUDGET AUTHORITY

Available unobligated balances on the Statement of Budgetary Resources are composed of current fiscal year apportioned funds for annual, multi-year, and no-year appropriations from Congress as well as revolving and trust funds. Other balances not available are composed of expired appropriation unobligated amounts, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances. This amount also includes unobligated funds that were not apportioned by OMB for FY 2000 use.

Unobligated VA funds are available for uses defined in VA's FY 2000 Appropriation Law (P.L. 106-74). These purposes include: veterans' medical care, research, education, construction and maintenance of VA buildings, veterans' and dependents' benefits, veterans' life insurance, loan guaranty programs, veterans' burial benefits, and administrative functions. Various obligation limitations are imposed on individual VA appropriations. Examples include travel obligation limitations and limitation of the use of medical care multi-year funds to object classes for equipment, structures, and land.

CONTRIBUTED CAPITAL

The amount of contributed capital received during the fiscal year consisted of donations in the amount of $45 million to the General Post Fund and $0.2 million to the National Cemetery Gift Fund.

19. EXCHANGE TRANSACTIONS

EXCHANGE REVENUES

Exchange revenues normally require reporting entities to recover full cost. The Veterans Health Administration (VHA) has legislated exceptions to the requirement that user charges be sufficient to recover the full cost to the Federal Government of providing the service, resource, or good. Under "enhanced sharing authority", arrangements entered into shall provide for payment to the Department in accordance with procedures that provide appropriate flexibility to negotiate payment, which is in the best interest of the Federal Government.

VA's Loan Guaranty Line of Business collects rental fees on a small number of properties during the period when the property is titled to the VA. The National Cemetery Administration (NCA) leases lodges at 16 cemeteries to Not-for-Profit groups for no fee. The Not-for-Profit groups are required to provide the upkeep on the lodges and pay the costs for utilities, insurance, minor repairs and maintenance and any other costs associated with the lodges. NCA paid $53,000 to perform repairs at the City Point, Cold Harbor, Culpeper, Glendale, Jefferson City, Richmond, Saint Augustine, Seven Pines, and Winchester National Cemetery lodges.

NCA also has three agricultural leases with private companies/individuals. Fort Snelling National Cemetery received no fees but received 7,000 cubic yards of clean wood chips and 14,000 cubic yards of clean compost for the use of developed cemetery land for lease of land to a mulching facility. The estimated value of the wood chips and compost is $287,000. Administrative/contracting support was provided to the cemetery by the Contracting Officer of the VAMC Minneapolis, MN and administrative/legal support was provided by the Office of Regional Counsel, Minneapolis, MN. The lessee is required to pay all costs of maintaining the facility. Houston National Cemetery leases 251 acres of undeveloped land for $9,000 for grazing and cultivation of grass or hay for livestock purposes. The lessee is required to pay all costs. Saratoga Springs National Cemetery has land leased by a sod farmer and received sod that has an estimated value of $1,000. The VAMC Albany District Counsel provided administrative support. In addition, the NCA received fees for filming performed at one cemetery. The Los Angeles National Cemetery received $4,000 for filming and had costs of $300 for the Director's Services.

EXCHANGE TRANSACTIONS WITH PUBLIC

Exchange transactions with the public occur when prices are set by law or executive order and are not based on full cost or on market price. VA's Medical Care Collections Fund, "Conforming Amendments," changed the language of specific sections of 38 USC Chapter 17 to substitute "reasonable charges" for "reasonable cost." The VHA Chief Financial

Officer (CFO) is responsible for implementing and maintaining these reasonable charges for billing third party payers for services provided to insured veterans for treatment of nonservice-connected conditions.

Reasonable charges are used to bill for reimbursable health insurance, non-Federal workers' compensation and no-fault or uninsured motorists insurance cases**.** Reasonable charges are based on provider charges in the market area of each VA facility. The lesser of VA billed charges or their usual customary and reasonable payment to other providers will be paid.

Cost-based per diems are calculated annually to produce Tort Rates used to bill for tort feasor, workers' compensation (other than Federal), humanitarian emergency, ineligible, VA employee, family member, allied beneficiary, no fault or uninsured motorist's insurance, or reimbursable insurance cases. These per diem costs are derived primarily from cost and workload data from a national cost allocation report (Cost Distribution Report).

Fees to be charged by VA for requests for information under the Freedom of Information Act (FOIA) are governed by 38 CFR Section 1.555. There are four categories of FOIA requesters: (1) commercial use; (2) educational and non-commercial scientific institutional; (3) representatives of the news media; and (4) all other. Specific levels of fees are to be charged for each of the categories. Categories (2), (3) and (4) are entitled to receive 100 pages of reproduced material and the first two hours of search time without charge. Commercial use requesters are to be charged the full direct costs of searching for, reviewing for release, and duplicating the records sought. Direct costs include the salary of the employee performing the work and the cost of operating duplicating machinery, but do not include overhead expenses such as costs of space and heating or lighting of the facility in which the records are stored. Under certain circumstances, fees can be waived or reduced at the discretion of field facility heads, their designees, or responsible Central Office officials.

VA is required to collect a co-payment of $2 from veterans for treatment of a nonservice-connected condition for each 30-day supply of medication furnished on an outpatient basis. This fee does not cover the cost of the medications in the vast majority of cases.

VA's Loan Guaranty Line of Business collects certain fees that are set by law. The loan guarantee funding fees collected for fiscal year 2000 were $421.1 million. The loan guarantee lender participation fees collected for fiscal year 2000 were $2.1 million.

INTRAGOVERNMENTAL EXCHANGE TRANSACTIONS

This section discloses intragovernmental exchange transactions in which VA provides goods or services at a price less than the full cost or does not charge a price at all with explanations for disparities between the billing and full cost.

VA and DoD have authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities and other resources. The providing agency shall be reimbursed for the cost of the health-care resources based on the methodology agreed to by VA and DoD. Facility Directors have the flexibility to consider local conditions and needs and the actual costs of providing the services. VA's General

Counsel has determined that full cost recovery is not mandated. VHA captures the total amount of reimbursements received under DoD sharing agreements, but the total amount billed below full cost is not readily available. VHA is in the process of developing mechanisms to report this information in the future. The Benefits Line of Business collects funding from DoD in order to administer certain education programs. DoD transferred $213 million during the year for the Post-Vietnam Era Education Assistance Program (VEAP), Reinstated Entitlements Program for Survivors (REPS) and the New GI Bill for Veterans.

When VA furnishes medical care or services for beneficiaries of other Federal agencies, and that care or service is not covered by an applicable local sharing agreement, the billing rates used are determined and published annually by the VHA CFO. Similar to the Tort Rates, interagency billing rates are determined from cost and workload data in the Cost Distribution Report.

SCHEDULE OF NET PROGRAM COST

AS OF SEPTEMBER 30, 2000 (DOLLARS IN MILLIONS)	MEDICAL CARE	MEDICAL EDUCATION	MEDICAL RESEARCH	COMPENSATION	PENSION	EDUCATION	VOCATIONAL REHAB	LOAN GUARANTY	INSURANCE	BURIAL	OTHER	TOTAL
PRODUCTION COSTS												
Governmental Costs	$ 3,153	$ 113	$ 101	$ 167	$ 60	$ 34	$ 30	$ 53	$ 16	$ 26	$ 30	$ 3,783
Less Earned Revenues	(51)	-	(24)	-	(14)	(188)	-	(463)	(1,066)	-	(195)	(2,001)
Net Governmental Production Costs	3,102	113	77	167	46	(154)	30	(410)	(1,050)	26	(165)	1,782
Public Costs	17,211	669	644	82,017	3,115	1,341	466	109	1,884	127	173	107,756
Less Earned Revenues	(1,282)	-	(3)	-	-	(103)	-	(122)	(734)	-	(15)	(2,259)
Net Public Production Costs	15,929	669	641	82,017	3,115	1,238	466	(13)	1,150	127	158	105,497
Non-Production Costs												
Hazardous Waste Clean-up	41	-	-	-	-	-	-	-	-	-	-	41
Net Program Costs	19,072	782	718	82,184	3,161	1,084	496	(423)	100	153	(7)	107,320
Net Non-VA Program Costs	-	-	-	-	-	-	496	-	-	-	(10)	(10)
Total Net Cost of Operations	$ 19,072	$ 782	$ 718	$ 82,184	$ 3,161	$ 1,084	$ 496	$ (423)	$ 100	$ 153	$ (17)	$ 107,310

SCHEDULE OF NET PROGRAM COST

AS OF SEPTEMBER 30, 1999
(DOLLARS IN MILLIONS)

	MEDICAL CARE	MEDICAL EDUCATION	MEDICAL RESEARCH	COMPENSATION	PENSION	EDUCATION	VOCATIONAL REHAB	LOAN GUARANTY	INSURANCE	BURIAL	OTHER	TOTAL
PRODUCTION COSTS												
Governmental Costs	$ 1,332	$ -	$ 653	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,985
Less Earned Revenues	(72)	-	(39)	-	(17)	(188)	-	-	(1,113)	-	-	(1,429)
Net Governmental Production Costs	1,260	-	614	-	(17)	(188)	-	-	(1,113)	-	-	556
Public Costs	17,183	830	38	(75,607)	3,266	1,305	509	1,683	1,965	(599)	-	(49,427)
Less Earned Revenues	(928)	-	(2)	-	-	(173)	-	(432)	(781)	-	-	(2,316)
Net Public Production Costs	16,255	830	36	(75,607)	3,266	1,132	509	1,251	1,184	(599)	-	(51,743)
Non-Production Costs	-	-	-	-	-	-	-	-	-	-	-	-
Hazardous Waste Clean-up	58	-	-	-	-	-	-	-	-	1	-	59
Net Program Costs	17,573	830	650	(75,607)	3,249	944	509	1,251	71	(598)	-	(51,128)
Net Non-VA Program Costs	-	-	-	-	-	-	-	-	-	-	10	10
Total Net Cost of Operations	$ 17,573	$ 830	$ 650	$(75,607)	$ 3,249	$ 944	$509	$ 1,251	$ 71	$ (598)	$ 10	$(51,118)

20. DEDICATED COLLECTIONS

In the Federal Government, dedicated collections are accounted for in trust funds and special funds. The term "trust funds" as used in this report and in Federal budget accounting is frequently misunderstood. In the private sector, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the Federal budget, the term "trust fund" means only that the law requires that funds be accounted for separately, used only for specified purposes and that the account was designated as a "trust fund." A change in law may change the future receipts and the terms under which the fund's resources are spent. The "trust fund assets" represent all sources of receipts and amounts due the trust fund regardless of source. This includes "related governmental transactions," which are transactions between two different entities within the Federal Government. The "Investments with Treasury" assets are comprised of investments in Federal debt securities and related accrued interest. These securities will require redemption if a fund's disbursements exceed its receipts. Unless specifically provided for by law, trust funds may only place excess funds in Federally backed investments (e.g., Federal debt securities).

The table below summarizes the name, type, and purpose of the funds within VA that receive dedicated collections. All of the funds listed use the accrual basis of accounting. However, collections are reported as actually received in accordance with OMB Circular A-34. The insurance funds listed also adhere to the requirements of FASB No. 120, "Accounting and Reporting by Mutual Life Insurance Enterprise," and issue a separate annual report. All of the funds generally receive authority to use current year contributions as well as a portion of previously contributed amounts.

FUND NAME	FUND TYPE	TREASURY SYMBOL	AUTHORITY	PURPOSE OF FUND	FINANCING SOURCES
MEDICAL CARE COLLECTIONS FUND	Special	36x5287	P.L. 105-33	Accumulates recoveries from third parties and patient co-payments.	Public, primarily insurance carriers.
ESCROWED FUNDS FOR SHARED MEDICAL EQUIPMENT PURCHASES	Deposit	36x6019	106 STAT. 1974	Receives payments from public companies involved in joint purchases of medical equipment.	Public, universities, pharmaceuticals & other medical organizations.
PERSONAL FUNDS OF PATIENTS	Deposit	36x6020	38 U.S.C. 3204	Temporarily holds funds.	Public, patients.
EMPLOYEE ALLOTMENTS FOR SAVINGS BONDS	Deposit	36x6050	31 U.S.C. 3105	Temporarily holds funds.	Employees.
CEMETERY GIFT FUND	Trust	36x8129	38 U.S.C. 1007	Expenditure of funds is limited to cemeteries by donor.	Public donors.
NATIONAL SERVICE LIFE INSURANCE FUND	Trust	36x8132	38 U.S.C. 720	Accumulates premiums to insure veterans of WWII.	Public, veterans.
POST-VIETNAM ERA EDUCATION ASSISTANCE PROGRAM	Trust	36x8133	38 U.S.C. 1622	To subsidize the cost of education to veterans.	Veterans, DoD.
U.S. GOVERNMENT LIFE INSURANCE	Trust	36x8150	38 U.S.C. 755	Premiums insure WWI veterans.	Public, veterans.
VETERANS SPECIAL LIFE INSURANCE FUND	Trust	36x8455	38 U.S.C. 723 101-228	Premiums insure Korean War Vets without Service-related disabilities.	Public, veterans.
GENERAL POST FUND, NATIONAL HOMES	Trust	36x8180	38 U.S.C. 101-228	Receives restricted and unrestricted use donations	Public, mostly veterans.

The following tables provide condensed information on assets, liabilities, fund balances, net costs, and changes in fund balances:

AS OF SEPTEMBER 30, 2000 FUND SYMBOL	5287	8129	8132	8133	8150	8455	8180	TOTAL
Assets:								
Fund balance with Treasury	$ 59	$ -	$ 7	$ 98	$ -	$ 1	$ (2)	$ 163
Investments with Treasury	-	-	12,019	-	75	1,745	59	13,898
Other Assets	724	3	728	1	3	117	20	1,596
Total Assets	783	3	12,754	99	78	1,863	77	15,657
Liabilities:								
Payables to Beneficiaries	-	-	123	1	2	8	1	135
Other Liabilities	-	-	12,257	-	73	1,777	2	14,109
Total Liabilities	-	-	12,380	1	75	1,785	3	14,244
Net Position:								
Cumulative Results	783	3	374	98	3	78	74	1,413
Total Liabilities & Net Position	$ 783	$ 3	$ 12,754	$ 99	$ 78	$ 1,863	$ 77	$ 15,657

FOR THE YEAR ENDED SEPTEMBER 30, 2000 FUND SYMBOL	5287	8129	8132	8133	8150	8455	8180	TOTAL
Revenues:								
Exchange - Federal	$ (12)	$ -	$ 879	$ -	$ 5	$ 143	$ -	$ 1,015
Exchange - Public	943	-	600	4	-	77	1	1,625
Non-Exchange - Federal	-	-	-	-	-	-	3	3
Non-Exchange - Public	-	-	-	-	-	-	45	45
Total Revenues	931	-	1,479	4	5	220	49	2,688
Expenses:								
Program Expenses	25	-	1,527	15	5	224	44	1,840
Total Expenses	25	-	1,527	15	5	224	44	1,840
Net Change from Operations								
Beginning Net Position	441	3	420	108	4	81	78	1,135
Net Change from Operations	905	-	(48)	(11)	(1)	(4)	5	846
Non-Operating Changes	(564)	-	2	-	-	-	(8)	(570)
Ending Equity	$ 782	$ 3	$ 374	$ 97	$ 3	$ 77	$ 75	$ 1,411

21. DISCLOSURES RELATED TO THE STATEMENTS OF FINANCING

The total amount of VA liabilities not covered by budgetary resources was $549.7 billion and $486.4 billion as of September 30, 2000 and 1999, respectively. The following table contains the components of the balance sheet liability:

UNFUNDED LIABILITIES AS OF SEPTEMBER 30,		2000		1999
Workers' Compensation*	$	1,906	$	1,533
Annual Leave		936		904
Judgment Fund		415		82
Environmental and Disposal		240		199
Capital Leases		8		1
Veterans Compensation and Burial		545,700		483,200
Insurance		531		524
Total	$	549,736	$	486,443

* The actuarial estimate for workers' compensation provided by DOL was computed using interest rates of 6.15 to 6.3 percent for FY 2000 and 5.5 to 5.6 percent for FY 1999. The Statement of Financing line "total financing sources yet to be provided" only reflects the amount of increases/decreases in these liabilities. For existing liabilities, there will always be a difference between the “financing sources” line and the balance sheet amount.

22. RESTATEMENTS, RECLASSIFICATIONS AND CHANGES IN ACCOUNTING PRINCIPLES

RECLASSIFICATIONS

On the 2000 and 1999 Statement of Net Cost, VA reclassified the change in veterans actuarial liability in order to not distort the program activity being reported in the compensation and burial activities. A new section on the Statement of Net Cost, titled “Changes in Veterans Benefits Actuarial Liabilities” reflects the costs. This change results in an increase of $94.1 billion and $0.8 billion in the FY 1999 program cost lines for Compensation and Burial respectively.

PRIOR PERIOD ADJUSTMENT

In FY 2000, the contingent liability for claims for medical malpractice increased due to changes in the method used to estimate the amount. Using an actuarial analysis, the estimate for future medical malpractice payments was revised to reflect out year payments including legal and other overhead costs. A prior period adjustment of $263 and $(3) million is reported on the Statement of Changes in Net Position for FY 2000 and 1999 respectively.

CHANGES IN ACCOUNTING PRINCIPLES

The capitalization threshold for VA's fixed assets was raised from $5,000 to $25,000. The system modifications to account for this change were completed for real property during FY 1999 and for personal property during FY 2000. A line titled "Cumulative Effect of Change in Accounting Principle" has been included on the Statement of Changes in Net Position to report the $503 million and $60 million reduction in property, plant, and equipment book value for FY 2000 and 1999, respectively.

23. NON-ENTITY ASSETS AND LIABILITIES

Entity and Non-Entity assets and liabilities have been combined on the face of the balance sheet. Non-Entity assets and liabilities relate primarily to patient funds and funds for shared purchases of medical equipment. The Fund Balance with Treasury amount recorded as a Special Fund non-entity balance in FY 1999 has been returned to Treasury using a newly established Treasury General Fund Receipt Account. Fund Balance with Treasury amounts related to Credit Reform subsidy downward reestimates will no longer be retained in VA Special Funds.

NON-ENTITY ASSETS AS OF SEPTEMBER 30,	2000	1999
Intragovernmental		
Fund Balance with Treasury	$ 44	$ 1,815
Accounts Receivable	-	1
Other	3	-
Public Accounts Receivable	-	6
Total Non-Entity Assets	$ 47	$ 1,822
Non-Entity Liabilities		
Intragovernmental		
Other	-	1,772
Public		
Other	47	50
Total Non-Entity Liabilities	$ 47	$ 1,822

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

HERITAGE ASSETS

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By nature they are expected to be maintained in perpetuity.

VA has medical centers and national cemeteries that meet the criteria for a heritage asset. During the reporting period, all maintenance expenses were recorded as incurred. Heritage assets are reported in terms of physical units.

HERITAGE ASSETS IN UNITS AS OF SEPTEMBER 30,	2000	1999
Art Collections	34	34
Buildings and Structures	1,883	1,878
Monuments/Historic Flag Poles	235	294
Other Non-Structure Items	54	19
Archaeological	11	-
Cemeteries	157	154
Total Heritage Assets in Units	2,374	2,379

DEFERRED MAINTENANCE

Deferred maintenance is classified as not performed when it should have been or as scheduled but delayed to a future period. It is VA policy to assure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective manner; therefore, deferred maintenance is not applicable to them. VA facilities reported their cost estimates for deferred maintenance by utilizing either the Condition Assessment Survey or the Total Life-Cycle Cost Method.

DEFERRED MAINTENANCE YEARS ENDED SEPTEMBER 30,	2000	1999
General PP&E	$ 1,043	$ 835
Heritage Assets	28	24
Total Deferred Maintenance	$ 1,071	$ 859

NON-FEDERAL PHYSICAL PROPERTY

The VA Extended Care Facilities Grant Program assists states in acquiring facilities for furnishing domiciliary or nursing home care to veterans, and to expand, remodel, or alter existing buildings for furnishing domiciliary, nursing home, or hospital care to veterans in state homes. Currently, these grants may not exceed 65 percent of the total project cost.

VA's State Cemetery Grants Program is authorized to pay up to 100 percent of the cost of constructing and equipping state veterans cemeteries. States provide the land and agree to operate the cemeteries. In FY 2000, new grants were awarded totaling more than $62 million.

GRANT PROGRAM COSTS AS OF SEPTEMBER 30,	2000	1999
State Extended Care Facilities	$ 20	$ 36
State Veterans Cemeteries	19	3
Total Grant Program Costs	$ 39	$ 39

HUMAN CAPITAL

Investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal Federal education and training of civilian employees. Educational programs assist active duty and reservist veterans, eligible under the MGIB or the Veterans Educational Assistance Program (VEAP), as well as dependents of veterans who died of service-connected disabilities or whose service-connected disabilities were rated permanent and total. The Vocational Rehabilitation Program provides veterans, having a 10 percent or greater service-connected disability rating who are found to have a serious employment handicap, with evaluation services, counseling, and training necessary to assist them in becoming employable and maintaining employment to the extent possible.

VETERANS AND DEPENDENTS EDUCATION AS OF SEPTEMBER 30,	2000	1999
Program Expenses		
Education and Training-Dependents of Veterans	$ 138	$ 136
Vocational Rehabilitation and Education Assistance	1,426	1,448
Administrative Program Costs	147	78
Total Program Expenses	$ 1,711	$ 1,662
Program Outputs (Participants)		
Dependent Education	44,820	44,423
Veterans Rehabilitation	52,786	52,284
Veterans Education	352,770	362,010

HEALTH PROFESSIONS EDUCATION

Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and for those of the Nation. By means of its partnerships with affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. Each year, approximately 90,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions including 107 medical schools. Many of these trainees have their health professional degrees and contribute substantially to VA's ability to deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

HEALTH PROFESSIONS EDUCATION

YEARS ENDED SEPTEMBER 30,	2000	1999
Program Expenses		
Physician Residents and Fellows	$ 364	$ 357
Associated Health Residents and Students	44	42
Instructional and Administrative Support	334	327
Total Program Expenses	$ 742	$ 726
Program Outputs		
Health Professions Rotating Through VA:		
Physician Residents and Fellows	28,921	31,012
Medical Students	17,706	18,771
Nursing Students	20,185	25,549
Associated Health Residents and Students	17,698	16,499
Total Program Outcomes	84,510	91,831

PROGRAM EXPENSE

AS OF SEPTEMBER 30,	Basic	Applied	Development	2000 Total	1999 Total
Medical Research Service	$ 158	$ 50	$ -	$ 208	$ 198
Rehabilitative Research and Development	3	15	9	27	28
Environmental Epidemiology Service	-	-	-	-	2
Health Services Research and Development	-	43	-	43	40
Cooperative Studies Research Service	-	42	-	42	42
Medical Research Support	-	340	-	340	321
Prosthetic Research Support	-	5	-	5	5
Total Program Expenses	$ 161	$ 495	$ 9	$ 665	$ 636

RESEARCH AND DEVELOPMENT

Investments in research and development comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits. For FY 2000, VA's R&D general goal related to stewardship was to ensure that VA medical research programs met the needs of the veteran population and contributed to the Nation's knowledge about disease and disability. Target levels were established for the: (1) percent of funded research projects relevant to VA's health-care mission in designated research areas and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved. In addition, VHA researchers received grants from National Institutes of Health (NIH) in the amount of $244.8 million and $175.3 million in other grants during FY 2000. These grants were given directly to the researchers and are not considered part of the VA entity. They are being disclosed here as Required Supplementary Stewardship Information but are not accounted for in the financial statements.

RESEARCH AND DEVELOPMENT MEASURES-ACTUAL AS OF SEPTEMBER 30,	2000	1999
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	99%	99%
Number of Research and Development Projects	1,942	2,013

REQUIRED SUPPLEMENTARY INFORMATION

SEGMENT INFORMATION

CONDENSED BALANCE SHEET AS OF SEPTEMBER 30,

	SUPPLY FUND		ENTERPRISE FUND	
	2000	1999	2000	1999
Assets				
Fund Balance with Treasury	$ 220	$ 129	$ 45	$ 34
Accounts Receivable, Net	77	34	10	3
General Property, Plant and Equipment	6	8	14	10
Other Assets Including Inventory	25	34	2	-
Total Assets	$ 328	$ 205	$ 71	$ 47
Liabilities and Net Position				
Accounts Payable	$ 131	$ 64	$ 2	$ 11
Deferred Revenues	73	13	-	-
Other Liabilities	4	3	25	8
Total Liabilities	208	80	28	19
Cumulative Results of Operations	120	125	43	28
Total Liabilities and Net Position	$ 328	$ 205	$ 71	$ 47
Condensed Net Cost Information				
Total Program Costs	$ 622	$ 548	$ 124	$ 93
Earned Revenues				
Intra-Departmental	(413)	(437)	(132)	(89)
Other Federal Entities	(183)	(82)	(6)	(6)
Non-Federal	(23)	(19)	-	-
Total Earned Revenues	(619)	(538)	(138)	(95)
Net Program Costs	$ 3	$ 10	$ (14)	$ (2)

ENTERPRISE FUND SERVICES

The Enterprise Fund is the entrepreneurial organization of the VA Franchise Fund authorized under GMRA and which provides a wide range of services to both VA and the other Federal agencies, including DoD, Housing and Urban Development, and General Accounting Office. The Fund consists of six Enterprise Centers: The Financial Services Center (FSC) processes and or provides payments, purchase card transactions and travel vouchers, electronic data interchange and accounting support. The Austin Automation Center (AAC) supports general application and other systems which include: payroll, financial management, vendor payment, logistics, centralized medical systems and integrated patient care databases, benefits delivery applications, time sharing, communications with VA and non-VA entities, local and wide area network management and office automation support. The VA Records Center and Vault provides services including secure archival storage and protection and retrieval services for veterans' and other Federal records. The VA Law Enforcement Training Center, available to the approximately 2,400 law enforcement personnel working at VA health-care facilities and to Federal law enforcement professionals at other government agencies, provides special training for police officers who work in health-care or service-oriented environments. The Security and Investigations Center provides quality and timely investigations and adjudication for employees in sensitive and or public trust positions. The Debt Management Center provides direct collection of delinquent consumer debt owed to VA.

SUPPLY FUND SERVICES

The Supply Fund functions include stocking, repairing, and distributing supplies, medical equipment, and devices; providing forms, publications, and a full range of printing and reproduction services; training VA medical acquisition, supply, processing, and distribution personnel; and increasing small and disadvantaged business participation in VA contracts. The primary customer for the Supply Fund is VA, but the Fund also has significant sales to other Federal agencies including DoD and Health and Human Services.

BALANCES WITH OTHER FEDERAL ENTITIES

INTRAGOVERNMENTAL ASSETS
AS OF SEPTEMBER 30, 2000

Trading Partners	Fund Balance with Treasury	Investments	Accounts Receivable	Other Assets
Treasury	$ 12,434	$ 14,450	$ 171	$ -
GSA	-	-	-	33
All Other	-	-	88	60
Total Intragovernmental Assets	$ 12,434	$ 14,450	$ 259	$ 93

INTRAGOVERNMENTAL LIABILITIES
AS OF SEPTEMBER 20, 2000

Trading Partners	Accounts Payable	Debt	Other
Treasury	$ -	$ 1,827	$ 2,253
Other	37	-	197
Total Intragovernmental Liabilities	$ 37	$ 1,827	$ 2,450

INTRAGOVERNMENTAL EARNED REVENUES AND RELATED COSTS
YEAR ENDED SEPTEMBER 30, 2000

Trading Partners	Earned Revenue
Treasury	$ 1,556
All Other	465
Total Federal Earned Revenue	$ 2,021

Budget Functional Classification	Gross Cost to Generate Revenue
Veterans Benefits and Services	$ 1,991

INTRAGOVERNMENTAL NON-EXCHANGE REVENUE

YEAR ENDED SEPTEMBER 30, 2000

Trading Partner	Transfers-In	Transfers-Out
Treasury	$ -	$ 1,083

SCHEDULE OF BUDGETARY ACTIVITY

	TOTAL OUTLAYS	BUDGETARY RESOURCES	OBLIGATIONS INCURRED	SPENDING AUTHORITY FROM OFFSETTING COLLECTIONS AND ADJUSTMENTS	OBLIGATED BALANCE OCT. 1, 2000	OBLIGATED BALANCE SEPT. 30, 2000
VHA						
0160 Medical Care	$ 19,249	$ 20,927	$ 19,237	$ 112	$ 2,572	$ 2,448
0161 Medical & Prosthetic Research	329	389	349	27	110	102
All Other	539	1,491	734	270	703	628
Total	$ 20,118	$ 22,808	$ 20,320	$ 409	$ 3,385	$ 3,178
VBA						
0102 Compensation, Pension, & Burial Benefits	$ 23,820	$ 22,337	$ 22,166	$ -	$ 1,697	$ 43
0137 Readjustment Benefits	1,497	1,693	1,667	191	58	37
4025 Housing Credit Liquidating	(255)	585	341	554	45	88
4127 Direct Loan Financing	(70)	2,039	1,761	1,820	(1)	9
4129 Guaranteed Loan Financing	(673)	8,010	3,168	3,896	77	22
8132 National Service Life Insurance Fund	1,242	12,159	1,733	497	1,390	1,385
All Other	1,775	6,535	4,128	2,419	396	329
Total	$ 27,337	$ 53,354	$ 34,963	$ 9,377	$ 3,664	$ 1,913
NCA						
0129 National Cemetery System	$ 95	$ 98	$ 96	$ -	$ 15	$ 16
All Other	12	35	19	-	15	22
Total	$ 108	$ 133	$ 115	$ -	$ 31	$ 38
ADM						
0151 General Operating Expenses	$ 881	$ 1,241	$ 1,218	$ 289	$ 142	$ 190
All Other	(64)	1,034	838	821	1	83
Total	$ 817	$ 2,274	$ 2,056	$ 1,109	$ 143	$ 272
Total of all Business Lines	$ 48,380	$ 78,569	$ 57,455	$ 10,895	$ 7,222	$ 5,402

INDEPENDENT AUDITOR'S REPORTS

Department of Veterans Affairs

Office of Inspector General

REPORT OF AUDIT OF THE DEPARTMENT OF VETERANS AFFAIRS CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

REPORT NO. 00-01702-50

DATE: February 28, 2001

Office of Inspector General
Washington DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Acting Assistant Secretary For Management (004)

Report of Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2000 and 1999

1. Attached is the Office of Inspector General's (OIG) Report of Audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements (CFS) for Fiscal Years (FY) 2000 and 1999. The audit was made pursuant to the Chief Financial Officers (CFO) Act of 1990. The OIG contracted with the independent public accounting firm Deloitte & Touche LLP to perform the audit of VA's FY 2000 CFS. The independent auditors' report by Deloitte & Touche provides an unqualified (i.e., clean) opinion on VA's FY 2000 CFS. The OIG defined the requirements of the audit, approved the audit plans, monitored the audit, and reviewed the draft reports. We agree with the auditors' opinion, and the conclusions in the related report on the Department's internal control over financial reporting and compliance with laws and regulations. The OIG conducted the audit of VA's FY 1999 CFS and provided an unqualified opinion on those financial statements.

2. VA has demonstrated management commitment to addressing material internal control weaknesses previously reported and made significant improvements in financial management in a number of areas. The related report on internal controls and compliance with laws and regulations cites the Department's progress towards improving material weaknesses in information technology security controls, Treasury reconciliations, and Housing Credit Assistance (HCA) program accounting. However, opportunities exist for further improvement.

3. The report section on internal controls continues to identify information technology security controls as a material weakness and adds integrated financial management system and control issues as a new material weakness. The report also discusses three other reportable conditions that, while not considered material weaknesses, are significant system or control weaknesses that could adversely affect the recording and reporting of the Department's financial information. These reportable conditions address the need for improving application programming and operating system change controls, business continuity and disaster recovery planning, and operational oversight.

4. The report section on compliance with laws and regulations also concludes that the issues concerning an integrated financial system and information technology security controls contained in the internal control section indicate noncompliance with the requirements of the Office of Management and Budget's (OMB) Circular A-127, "Financial Management Systems", which incorporates by reference OMB Circulars A-123, "Management Accountability and Control", and A-130, "Management of Federal Information Resources." Further, the report concludes that the departures from the OMB requirements are instances of substantial noncompliance with the Federal financial management system requirements of the Federal Financial Management Improvement Act.

5. The material weakness concerning the Department's financial management systems underscores the importance that the Department continue its efforts to acquire and implement a replacement integrated core financial management system. Achieving the success of a clean opinion currently requires a number of "workarounds" involving manual compilations and processes that the financial management system should do. These "workarounds" require extraordinary effort by Department program and financial management staff and the auditors. The risk of materially misstating financial information is high with the existing financial reporting systems and the reliance on "workarounds".

6. Additionally, we believe that consideration should be given to centralizing responsibility for financial management within the Office of the Assistant Secretary for Management (Chief Financial Officer). Sustaining the improvements in financial management demonstrated over the past 2 years may be very difficult because of the increasing strain on the human resources that do the work. Financial management staff are stretched thin throughout the organization and this situation is likely to increase in future years when many experienced financial management employees retire. We suggest that the Department's plan for addressing human capital issues include an objective to streamline financial operations under the Assistant Secretary for Management by accelerating the consolidation of financial management functions and facilities. Financial management activities have been or are being consolidated at a number of Veterans Health Administration medical facilities and several Veterans Benefits Administration activities. However, the progress has been slow and needs to be accelerated. The Department's project to acquire and implement a replacement core financial management system provides a window of opportunity for reengineering and streamlining financial operations. Consolidation of financial management responsibility under the Assistant Secretary for Management would assure visibility over staffing needs, improve consistency of financial management systems, provide uniform leadership, and centralize responsibility for financial management.

7. We will follow up on these issues and evaluate implementation actions during the audit of the Department's FY 2001 Consolidated Financial Statements.

Michael Slachta Jr

MICHAEL SLACHTA, JR
Assistant Inspector General
for Auditing

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Secretary
Department of Veterans Affairs

We have audited the accompanying consolidated balance sheet of the Department of Veterans Affairs (VA) as of September 30, 2000, and the related statements of net cost, changes in net position, budgetary resources, and financing for the year then ended, collectively referred to as the financial statements. These financial statements are the responsibility of the management of VA. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of VA for the year ended September 30, 1999 were audited by the VA Office of Inspector General (OIG) whose report, dated March 10, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VA as of September 30, 2000, and its net costs, changes in net position, budgetary resources and reconciliation of budgetary obligations to net costs for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The required supplementary information on pages 51 - 59 is not a required part of the consolidated financial statements but is supplementary information required by the OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. This supplementary information is the responsibility of the VA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte
Touche
Tohmatsu

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2001, on our consideration of VA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

February 2, 2001

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Secretary
Department of Veterans Affairs

We have audited the consolidated financial statements of the Department of Veterans Affairs (VA), as of and for the year ended September 30, 2000, and have issued our report thereon dated February 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements."

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered VA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect VA's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Five reportable conditions and three other matters are described in the following paragraphs and include significant departures from certain requirements of OMB Circular A – 127, "Financial Management Systems," which incorporates by reference Circulars A – 123, "Management Accountability and Control," and A – 130, "Management of Federal Information Resources," among other requirements. We believe that the two reportable conditions identified as "Integrated Financial Management System" and "Information Technology (IT) Security Controls" are also material weaknesses.

Integrated Financial Management System – Material Weakness

As defined in OMB Circular A – 127, "a financial management system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions." Such financial management systems shall be designed to provide for effective and efficient interrelationship between software, hardware, personnel, procedures, controls, and data contained within the systems.

With respect to system requirements in the area of financial reporting, OMB Circular A – 127 provides that an agency's financial management system should generate reliable, timely and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. Within OMB Circular A – 123, the management control processes necessary to ensure that "reliable and timely information is obtained, maintained, reported and used for decision making" are set forth, including prompt and appropriate recording and classification.

During our audit of VA's 2000 consolidated financial statements, we noted continuing difficulties related to the preparation, processing and analysis of financial information to support the efficient and effective preparation of the VA's consolidated financial statements. While significant efforts are made at the component and consolidated levels to assemble, compile and review the necessary financial information for annual financial reporting requirements; in many cases, significant manual work-arounds and "cuff" or out-of-date feeder systems are still in place as the Department has not yet completed its transition to a fully integrated financial management system.

For example, we noted that general ledgers for some smaller funds are maintained outside the existing core financial management system; unreconciled differences between the general ledger and the Property Management System (PMS) subsidiary ledger existed at the time of a conversion of the property management activity for foreclosures under the Loan Guaranty Program to the VA's core financial management system; an error in the PMS caused new postings to be recorded at up to four times the appropriate values; and a significant number of adjustments were recorded as part of the year-end closing process, many to record additional activities (both budgetary and proprietary) not reflected in the general ledger prior to the year-end close.

We encourage the Department's efforts to meet its planned financial reporting improvement objectives. However, given the size and complexity of the VA, as well as the current status of the system development and implementation cycles for planned improvements, it is critical that enhanced control, monitoring and reconciliation processes be in place and functioning appropriately throughout the year to ensure accurate and complete financial reporting. Even though fully automated processes may not yet be in place, supplemental manual processes should be implemented and enforced to meet appropriate control objectives.

The preparation of financial statements more frequently during the year would ensure that supporting analyses and reconciliations are completed and reviewed. While this would be a substantial undertaking, we recommend that the Department adopt the goal of the preparation of monthly financial statements and implement a plan to attain that goal over the next few years. The transition of the closing process from an annual one to more frequently could begin with semi-annual closes, and then move to quarterly closes as the financial reporting process matures.

Information Technology (IT) Security Controls – Material Weakness

VA's program and financial data continue to be at risk due to serious problems related to the Department's control and oversight of access to its information systems. These weaknesses placed sensitive information, including financial data and sensitive veteran medical and benefit information, at increased risk of inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction, possibly occurring without detection. The VA Office of Inspector General reported this condition in its fiscal year 1997, 1998 and 1999 audit reports and made recommendations for VA to implement a comprehensive security program that would improve these controls. VA has acknowledged these weaknesses and reported IT security controls as a material weakness in its FMFIA report for fiscal years 1998 and 1999. During fiscal years 1999 and 2000, VA proposed and took a number of corrective actions that have/will result in a more effective IT security program. The initiatives are in the process of being implemented and the Department has revised its information security management plan (issued November 20, 2000), which is designed to correct the weaknesses and the plan has compressed the timeframes in which it intends to accomplish such activities.

The management plan includes initiatives that would generally address the key elements of a comprehensive security planning and management program. VA's success in improving information security is dependent on VA executing the plan, including obtaining the level of commitment to it throughout VA and obtaining adequate resources to implement the plan. We recommend that the appropriate resources be applied in order that the planned remedial actions will be accomplished within the identified timeframe.

Application Program and Operating System Change Controls

Our reviews noted weaknesses in the application program change controls and operating system change controls at certain VA data centers and selected VHA medical centers. Weaknesses include: inappropriate access capabilities by application programmers and system support staff to production data; lack of application change procedures; inadequate procedures for testing, approving and migrating system software changes; and inadequate application program change tracking procedures.

We recommend that improved controls over program and operating system changes be instituted, communicated and enforced throughout the data and medical center network.

Business Continuity and Disaster Recovery Planning

Our reviews at certain VA data centers disclosed deficiencies in the design and operation of the business continuity/disaster recovery plans. Specifically, we noted certain disaster recovery plans that were not comprehensive, adequately documented or periodically tested in a timely manner; and tape management procedures that were not adequate.

We recommend that procedures be implemented to ensure that appropriate business continuity/disaster recovery plans are developed, documented and tested to reduce the risk that restoration of business processes and information systems may be delayed or ineffective in the event of an emergency.

Operational Oversight

During the audit, we conducted site visits to selected VA medical centers or stations within the Veterans Integrated Service Network (VISN) to test compliance with identified control and reconciliation processes. We noted a number of instances where application of control and reconciliation processes were not done consistently or completely. In certain instances, existing Department procedures for supervisory review were not applied consistently or on a timely basis. Our observations of ineffective or inefficient processes in the areas of property, plant and equipment, medical accounts receivable and accounts payable during our site visits appeared to be pervasive.

We recommend that procedures for appropriate and timely management reviews and account reconciliations be formalized and implemented to achieve improved internal control over financial reporting. Improved monitoring of existing policies and procedures should be implemented.

Other Matters

The Department does not have a mature, effective risk management process with which to evaluate potential loss contingencies for pending medical malpractice claims. Until FY 2000, the recording of the necessary accrual for the loss contingencies was based upon the expected claims payments to be made during the subsequent year. In order to recognize the anticipated full cost of the settlements of medical malpractice claims, an actuarial model was prepared for FY 2000 and an adjustment was made to increase the required loss accrual to approximately $400 million as of September 30, 2000. The Department should ensure that a formal process is established to develop and maintain the data necessary for appropriate financial reporting on an on-going basis.

The Veterans Health Administration (VHA) had significant aged and invalid accounts payable balances as of September 30, 2000, requiring an adjustment of approximately $14 million for reporting purposes. The Department should ensure that appropriate validation procedures are in place and enforced at the component level to ensure only accurate and valid financial information is reported.

VA does not have an effective process to accumulate information on the Department's future lease commitments for buildings and equipment. While we understand that there is a significant volume of operating leases maintained at the component or satellite station levels, a process to capture the necessary reporting data regarding outstanding financial commitments should be developed and implemented.

Follow-up on Previous Report

In its report in connection with the FY 1999 VA financial statements dated March 10, 2000, the Office of Inspector General reported three material weaknesses in the areas of (1) Information Systems Security Controls; (2) Housing Credit Assistance (HCA) Program Accounting; and (3) Fund Balance with Treasury Reconciliations. As discussed earlier, we believe that material weaknesses continue to exist with respect to items (1) and part of (2). We discussed item (1) in the section entitled "Information Technology (IT) Security Controls." While improvements were made in FY 2000 in the HCA Program accounting, including the conversion of activity to the VA's core financial management system, difficulties were noted during the FY 2000 conversion process as discussed above in the section entitled "Integrated Financial Management System." Improvements were noted during FY 2000 with respect to the Fund Balance with Treasury Reconciliation process and, therefore, the previously reported weakness is considered closed.

Performance Measures

Finally, with respect to the internal control related to performance measures reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not provide an opinion on such control.

We plan to issue our separate report to you, also dated February 2, 2001, on our additional comments on VA's internal control.

COMPLIANCE

The management of VA is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether VA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U. S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance and evaluative criteria issued by OMB.

The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and are described below.

The material weaknesses in internal control over financial reporting discussed above and identified as "Integrated Financial Management System" and "Information Technology (IT) Security Controls", indicate that VA is not in full compliance with the requirements of OMB Circulars A – 123, A – 127, and A - 130. As discussed above, we found weaknesses in (1) the design and operation of internal controls over financial reporting, particularly with effectiveness of the enhanced control, monitoring and reconciliation processes in support of the preparation of the Department's consolidated financial statements, given the status of the transition to a fully integrated financial management system; and (2) the effectiveness of the information technology security controls.

We believe these weaknesses, in the aggregate, result in significant departures from certain of the requirements of OMB Circulars A – 123, A – 127 and A - 130, and are, therefore, instances of substantial noncompliance with the Federal financial management systems requirements under FFMIA.

We plan to issue our separate report to you, also dated February 2, 2001, with our additional comments on immaterial instances of noncompliance with certain provisions of laws, regulations, contracts, and grants.

DISTRIBUTION

This report is intended solely for the information and use of the management of the Department of Veterans Affairs, the Office of Inspector General for the Department of Veterans Affairs, the Office of Management and Budget, the U. S. General Accounting Office, and the U. S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

February 2, 2001

Department of Veterans Affairs

Memorandum

Date: FEB 28 2001

From: Acting Assistant Secretary for Management (004)

Subj: Report of Audit of VA's Consolidated Financial Statements for Fiscal Years 2000 and 1999

To: Michael Slachta, Jr., Assistant Inspector General for Auditing (52)

We have reviewed the Report of the OIG Audit and are delighted with the overall outcome. Please extend to your staff and the staff of Deloitte & Touche LLP our appreciation for their hard work and cooperation during this year's audit process.

We will share the results of the audit as well as the findings on internal controls over financial reporting and compliance with laws and regulations with senior officials in the Veterans Health Administration, Veterans Benefits Administration, and other VA staff and program managers. We will continue to provide you with updates on the Department's progress implementing our management plan to correct the Information Technology Security Controls material weakness. In addition, we will develop a management plan to correct the new material weakness, Integrated Financial Management System, identified during this year's audit.

Again, thank you for all the work that brought us to another successful conclusion of the audit cycle. Please contact me at 273-5589 if you have any questions.

for Donna Rodgah

D. Mark Catlett

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This audit report will be available in the near future on the VA Office of Audit web site at http://www.va.gov/oig/52/reports/mainlist.htm "List of Available Reports." This report will remain on the OIG web site for 2 fiscal years after it is issued.

SECTION C:
STATISTICAL APPENDIX

Table 1: U.S. Veteran Population, 2000 (Includes Puerto Rico, Territories, and Foreign Countries)
(Number of Persons in Thousands)

Period of Service	*Veteran Population as of Sept 30, 1999*	*Separations from the Armed Forces*	*Deaths in Civilian Life*	*Veteran Population as of Sept 30, 2000*	*Percent Change in Veteran Population*	*Female Veterans*	
						Population as of Sept 30, 2000	*Percent of Veteran Population*
All veterans (1)	**25,947**	**208**	**657**	**25,498**	**-1.7%**	**1,391**	**5.5%**
Wartime veterans (1)	**19,643**	**208**	**592**	**19,258**	**-2.0%**	**899**	**4.7%**
Gulf War (2)	**2,696**	**208**	**7**	**2,897**	**7.4%**	**387**	**13.4%**
Gulf War Only	2,400	202	5	2,596	8.2%	373	14.4%
Gulf War and Vietnam Era Only	296	6	2	301	1.5%	14	4.8%
Gulf War, Vietnam Era, and Korean Conflict	*	--	*	*	*	--	--
Vietnam Era (2)	**8,373**	**6**	**80**	**8,300**	**-0.9%**	**234**	**2.8%**
Vietnam Era Only	7,619	--	60	7,559	-0.8%	213	2.8%
Vietnam Era and Korean Conflict Only	279	--	8	272	-2.7%	4	1.3%
Vietnam Era, Korean Conflict, and WW II	179	--	10	168	-5.7%	3	1.6%
Korean Conflict (2)	**4,053**	--	**139**	**3,914**	**-3.4%**	**86**	**2.2%**
Korean Conflict Only	3,171	--	95	3,076	-3.0%	71	2.3%
Korean Conflict and World War II Only	424	--	26	397	-6.2%	8	2.1%
World War II (2)	**5,872**	--	**421**	**5,451**	**-7.2%**	**224**	**4.1%**
World War II Service Only	5,270	--	384	4,885	-7.3%	213	4.4%
World War I (3)	**5**	--	**2**	**3**	**-34.1%**	*****	*****
Peacetime veterans (4)	**6,304**	--	**64**	**6,239**	**-1.0%**	**492**	**7.9%**
Between Vietnam Era and Gulf War	3,478	--	10	3,468	-0.3%	413	11.9%
Between Korean Conflict and Vietnam Era	2,697	--	47	2,650	-1.7%	69	2.6%
Other peacetime service (5)	129	--	7	122	-5.7%	10	8.0%

(1) Veterans serving in more than one period of service are counted only once in the total.
(2) This sum includes veterans who served in multiple periods.
(3) World War I veterans who also served in World War II are counted in the World War II only. Fewer than 500 veterans served in wartime prior to World War I.
(4) Veterans who served both in wartime and peacetime are only counted as serving in wartime.
(5) Includes those who served between World War II and the Korean Conflict, those who served between World War I and World War II, and those who served prior to World War I.

* Fewer than 500.
Data includes those with less than two years of service.
Detail may not add to totals due to rounding.

SOURCE: VetPop2000, Office of the Actuary, Office of Policy and Planning (008)
CONTACT: For supplemental data call Michael Wells at 202-273-5106 or see the VA website, www.va.gov

Table 1a. Comparison of New Population Estimates and Old Counts

The methodology for estimating veteran population has been revised from that which has appeared in prior VA Reports. Table 1a compares veteran population estimates based on the old and new methodologies. The new veteran population model incorporates additional data sources and reporting period changes. New estimates reflect updated mortality tables and population migration data specific to veterans. It also counts veterans with fewer than two years of service after 1980, veterans residing overseas or in U.S. territories, and other small additions that were not included in prior estimates.

Table 1a. (Number of Persons in Thousands)

Date	Prior Veteran Population Estimates		New Veteran Population Estimates
06/30/91	27,010	(1)	27,814
06/30/92	26,980	(2)	27,714
06/30/93	26,789	(3)	27,607
06/30/94	26,503	(4)	27,408
06/30/95	26,198	(5)	27,200
06/30/96	25,881	(6)	26,934
06/30/97	25,551	(7)	26,658
06/30/98	25,188	(8)	26,347
06/30/99	24,803	(8)	26,026
09/30/99	Not Applicable		25,947

(1) Reported in FY 1992 Annual Report (excluded Puerto Rico, estimated to have 123,000 veterans)
(2) Reported in FY 1993 Annual Report
(3) Reported in FY 1994 Annual Report
(4) Reported in FY 1995 Annual Report
(5) Reported in FY 1996 Annual Report
(6) Reported in FY 1997 Annual Report
(7) Reported in FY 1998 Annual Report
(8) Reported in FY 1999 Annual Accountability Report

Source: VetPop2000, Office of the Actuary, Office of Policy and Planning
Contact: Michael Wells at (202) 273-5106

Table 2: U.S. Veteran Population, 2000 (Includes Puerto Rico, Territories, and Foreign Countries)
By SEX, AGE (at nearest birthday), and PERIOD OF SERVICE, September 30, 2000
(Number of Persons in Thousands)

		Wartime Veterans									*Peacetime Veterans*			
			Gulf War		*Vietnam Era*		*Korean Conflict*							
Age Group (in years)	*Total Veterans (1)*	*Total (1)*	*Total*	*Gulf War Only*	*Total*	*Vietnam Era Only*	*Total*	*Korean Conflict Only*	*World War II*	*World War I*	*Total*	*Between Vietnam Era and Gulf War*	*Between Korean Conflict and Vietnam Era Only*	*Other (2)*
All Veterans														
All Ages.........	25,498	19,258	2,897	2,596	8,300	7,559	3,914	3,076	5,451	3	6,239	3,468	2,650	122
Under 20 yrs....	5	5	5	5	--	--	--	--	--	--	--	--	--	--
20 - 24 yrs.......	266	266	266	266	--	--	--	--	--	--	--	--	--	--
25 - 29 yrs.......	759	750	750	750	--	--	--	--	--	--	9	9	--	--
30 - 34 yrs.......	1,218	800	800	800	--	--	--	--	--	--	418	418	--	--
35 - 39 yrs.......	1,560	392	392	392	--	--	--	--	--	--	1,168	1,168	--	--
40 - 44 yrs.......	1,892	446	276	265	182	171	--	--	--	--	1,446	1,446	--	--
45 - 49 yrs.......	2,150	1,789	225	93	1,696	1,564	--	--	--	--	361	361	--	--
50 - 54 yrs.......	3,262	3,187	132	19	3,168	3,055	--	--	--	--	75	54	21	*
55 - 59 yrs.......	2,664	2,115	39	4	2,111	2,075	--	--	--	--	549	9	539	2
60 - 64 yrs.......	2,190	791	10	2	609	573	209	180	--	--	1,398	2	1,394	3
65 - 69 yrs.......	2,531	1,867	2	1	252	95	1,760	1,602	14	--	664	1	634	29
70 - 74 yrs.......	2,651	2,545	*	*	169	19	1,524	1,226	1,214	--	106	1	51	55
75 - 79 yrs.......	2,466	2,449	*	--	74	5	279	56	2,385	--	17	*	6	10
80 - 84 yrs.......	1,372	1,361	--	--	33	2	109	8	1,351	--	11	*	2	9
85 - 89 yrs.......	401	391	--	--	6	*	26	3	388	--	10	--	1	9
90 - 94 yrs.......	93	88	--	--	1	*	5	1	87	*	5	--	*	4
95 - 99 yrs.......	13	11	--	--	*	*	1	*	11	*	2	--	*	2
100 yrs & over.	4	4	--	--	*	*	*	*	1	3	*	--	*	*
Median Age (3)	57.4	59.0	31.7	30.9	53.3	53.1	69.5	69.0	77.5	99.9	45.1	40.0	62.3	71.3
Female Veterans														
All Ages.........	1,391	899	387	373	234	213	86	71	224	*	492	413	69	10
Under 20 yrs....	1	1	1	1	--	--	--	--	--	--	--	--	--	--
20 - 24 yrs.......	49	49	49	49	--	--	--	--	--	--	--	--	--	--
25 - 29 yrs.......	108	107	107	107	--	--	--	--	--	--	1	1	--	--
30 - 34 yrs.......	155	104	104	104	--	--	--	--	--	--	51	51	--	--
35 - 39 yrs.......	193	58	58	58	--	--	--	--	--	--	135	135	--	--
40 - 44 yrs.......	202	44	36	35	8	8	--	--	--	--	158	158	--	--
45 - 49 yrs.......	155	101	22	14	87	79	--	--	--	--	54	54	--	--
50 - 54 yrs.......	93	80	8	3	77	72	--	--	--	--	13	11	1	*
55 - 59 yrs.......	59	39	2	1	38	37	--	--	--	--	21	2	19	*
60 - 64 yrs.......	50	17	*	*	11	11	5	5	--	--	34	*	33	*
65 - 69 yrs.......	54	42	*	*	5	3	37	36	1	--	13	*	11	2
70 - 74 yrs.......	46	41	*	*	3	2	26	23	15	--	5	*	3	2
75 - 79 yrs.......	114	111	--	--	2	1	10	5	104	--	3	*	1	2
80 - 84 yrs.......	75	73	--	--	2	*	5	1	71	--	2	--	*	2
85 - 89 yrs.......	26	24	--	--	1	*	2	*	24	--	2	--	*	1
90 - 94 yrs.......	8	7	--	--	*	*	1	*	7	*	1	--	*	1
95 - 99 yrs.......	2	2	--	--	*	*	*	*	1	*	*	--	*	*
100 yrs & over.	1	*	--	--	*	*	*	*	*	*	*	--	*	*
Median Age (3)	44.2	48.8	30.9	30.6	50.9	50.9	69.6	68.9	79.2	99.8	41.2	40.1	61.5	76.3

See Table 2 notes following Table 3.

Table 3: U.S. Veteran Population 2000 (Includes Puerto Rico, Territories, and Foreign Countries) By STATE and PERIOD OF SERVICE as of September 30, 2000
(Number of Persons in Thousands)

		Wartime Veterans									*Peacetime Veterans*			
			Gulf War		*Vietnam Era*		*Korean Conflict*							
State	*Total Veterans*	*Total (1)*	*Total*	*Gulf War Only*	*Total*	*Vietnam Era Only*	*Total*	*Korean Conflict Only*	*World War II*	*World War I*	*Total*	*Between Vietnam Era and Gulf War*	*Between Korean Conflict and Vietnam Era Only*	*Other Peace-time (2)*
Grand Total	25,498	19,258	2,897	2,596	8,300	7,559	3,914	3,076	5,451	3	6,239	3,468	2,650	122
U.S. Total (4)	25,229	19,062	2,875	2,576	8,208	7,475	3,870	3,041	5,400	3	6,167	3,428	2,619	120
Alabama	460	349	66	59	147	133	69	55	90	*	112	63	46	2
Alaska	68	46	7	6	28	27	7	6	6	*	22	14	7	*
Arizona	509	379	53	47	168	154	75	58	109	*	130	75	53	2
Arkansas	281	214	36	33	91	82	42	33	59	*	67	37	28	1
California	2,368	1,775	228	204	779	715	365	287	520	*	592	322	259	12
Colorado	410	299	50	45	146	135	55	44	66	*	110	66	43	2
Connecticut	283	218	24	21	87	79	49	38	73	*	66	32	32	2
Delaware	78	58	8	7	26	24	12	9	16	*	20	12	8	*
District of Columbia	48	36	5	5	15	13	8	6	11	*	12	7	5	*
Florida	1,771	1,345	193	173	537	485	269	207	442	*	426	242	175	9
Georgia	769	557	108	97	265	243	100	80	119	*	212	133	77	3
Hawaii	103	76	10	9	36	33	16	12	20	*	26	14	12	*
Idaho	124	93	16	14	42	38	18	14	24	*	31	17	13	1
Illinois	945	733	109	98	296	267	156	122	223	*	212	109	98	5
Indiana	567	427	66	59	187	171	87	69	115	*	140	80	57	3
Iowa	268	209	31	27	86	78	44	35	62	*	59	31	27	1
Kansas	248	190	27	24	82	75	38	30	55	*	58	32	25	1
Kentucky	372	283	44	40	123	111	58	45	78	*	88	49	38	2
Louisiana	390	302	60	54	124	112	58	46	81	*	88	48	39	2
Maine	154	115	20	18	51	46	22	18	30	*	39	23	15	1
Maryland	497	363	54	49	163	150	74	58	96	*	134	79	52	2
Massachusetts	543	414	44	40	166	151	94	73	139	*	129	67	59	3
Michigan	901	685	112	101	296	270	137	107	187	*	216	120	91	4
Minnesota	430	325	41	37	149	137	67	53	88	*	106	58	46	2
Mississippi	250	192	37	33	77	69	39	31	54	*	58	32	25	1
Missouri	569	434	67	60	186	169	89	70	122	*	135	75	57	3
Montana	107	81	15	13	37	33	15	12	20	*	26	14	11	*
Nebraska	158	121	19	17	50	46	26	20	34	*	37	20	16	1
Nevada	229	166	20	18	80	75	34	27	42	*	63	35	27	1
New Hampshire	135	99	15	13	46	42	19	15	25	*	36	21	14	1
New Jersey	634	494	51	46	189	170	117	91	173	*	140	66	71	4
New Mexico	187	140	21	19	65	60	27	21	35	*	47	27	20	1
New York	1,326	1,026	141	126	395	354	229	179	336	*	300	153	140	7
North Carolina	768	569	101	91	252	229	110	87	144	*	199	119	76	3
North Dakota	57	44	7	6	19	17	9	7	12	*	13	7	6	*
Ohio	1,126	860	133	120	363	330	175	137	247	*	266	150	111	5
Oklahoma	373	285	43	38	127	116	57	45	76	*	89	47	40	2
Oregon	368	275	42	38	126	116	51	40	74	*	92	53	38	2
Pennsylvania	1,235	959	127	114	377	340	208	161	317	*	277	142	128	7
Rhode Island	95	73	8	7	29	26	16	12	26	*	22	12	10	1
South Carolina	412	307	59	53	136	123	58	46	75	*	105	62	41	2
South Dakota	77	59	11	9	25	22	12	10	16	*	18	10	8	*
Tennessee	543	408	64	57	183	167	81	64	107	*	135	76	56	2
Texas	1,720	1,291	230	206	582	531	245	194	319	*	429	244	177	7
Utah	134	101	15	13	45	41	21	16	28	*	32	18	14	1
Vermont	59	44	7	6	20	18	9	7	12	*	15	9	6	*
Virginia	714	522	85	76	241	221	102	81	128	*	192	113	76	3
Washington	619	454	64	58	221	205	85	67	111	*	165	95	68	3
West Virginia	203	158	25	22	66	60	33	26	46	*	45	22	22	1
Wisconsin	488	368	50	45	162	149	77	61	103	*	120	66	52	2
Wyoming	53	41	7	6	19	17	8	6	10	*	13	7	6	*
Puerto Rico	143	106	13	11	47	42	26	21	28	*	36	18	18	1
Overseas/Territories	126	90	9	8	45	42	18	15	23	*	36	22	14	1

See notes for Tables 2 and 3 on next page.

Notes for Tables 2 and 3:

(1) Veterans who served in more than one wartime period are counted only once.
Also included are an indeterminate number of Mexican Border period veterans of whom 8 were receiving VA benefits.

(2) Includes only those who served between World War II and the Korean conflict, those who served between World War I and World War II, and those who served prior to World War I.

(3) Computed from data by single year of age.

(4) U.S. Total includes all 50 states and the District of Columbia.

* Fewer than 500.
Data includes those with less than two years of service.

SOURCE: VetPop2000, Office of the Actuary, Office of Policy and Planning (008)
CONTACT: Michael Wells at (202) 273-5106, Office of Policy and Planning (008)

	% Peacetime (relative to Grand Total)		% Female (relative to Grand Total)	Total VETPOP
1990	23.6%	1990	4.6%	26,885
1991	23.5%	1991	4.6%	26,629
1992	22.8%	1992	4.3%	26,840
1993	22.8%	1993	4.4%	26,655
1994	22.9%	1994	4.5%	26,365
1995	23.0%	1995	4.6%	26,067
1996	23.1%	1996	4.7%	25,881
1997	23.2%	1997	4.8%	25,553
1998	23.4%	1998	4.9%	25,188
1999		1999		24,803

TABLE 4: EDUCATIONAL ATTAINMENT, VETERANS AND NONVETERANS BY SEX AND AGE; MARCH 2000

DESCRIPTION	*TOTAL NUMBER (1) [THOUSANDS]*	*PERCENT OF TOTAL NUMBER*					
		NO HIGH SCHOOL	*HIGH SCHOOL*		*COLLEGE*		
			1 TO 3 YEARS	*4 YEARS (2)*	*1 TO 3 YEARS*	*4 YEARS OR MORE (3)*	*AT LEAST SOME COLLEGE (4)*
MALES							
Veterans age 20 and older	22,980	4.8	7.2	34.7	29.8	23.5	53.3
Nonveterans age 20 and older	69,170	7.4	9.9	31.1	25.0	26.6	51.6
Veterans age 40 to 54	6,628	1.0	4.4	34.0	36.0	24.5	60.6
Nonveterans age 40 to 54	22,230	5.6	7.6	30.2	24.5	32.1	56.6
Veterans age 20 to 39	3,125	0.1	1.5	41.8	39.5	17.1	56.6
Nonveterans age 20 to 39	35,160	4.3	10.3	32.4	28.9	24.1	52.9
FEMALES							
Veterans age 20 and older	1,222	1.5	1.9	25.2	46.9	24.6	71.4
Nonveterans age 20 and older	99,550	6.5	9.3	34.0	27.5	22.6	50.1
Veterans age 40 to 54	400	0.5	0.1	21.7	46.6	31.2	77.8
Nonveterans age 40 to 54	29,700	4.4	6.6	33.3	28.4	27.3	55.7
Veterans age 20 to 39	477	- -	0.6	27.7	52.6	19.1	71.7
Nonveterans age 20 to 39	39,210	3.3	8.2	30.2	32.9	25.4	58.3

(1) The veteran population estimates in Tables 4 and 5 are derived from a Census Bureau survey and do not equal similar estimates found in Tables 1-3 that are derived from the VA's Veteran Population Projection Model. In addition, the population estimates in Table 4 are based on March 2000 Current Population Survey (CPS) data and differ from similar estimates in Table 5 which reflect twelve (12) months of CPS data that have been averaged.
(2) Only includes high school graduates; non-graduates are represented in the 1-3 years category.
(3) Only includes college graduates with at least a bachelor's degree; non-graduates are represented in the 1-3 years category.
(4) "At Least Some College" is the sum of "1 to 3 Years" plus 4 Years or More."
Details may not add to total due to rounding.

SOURCE: Current Population Survey, March 2000, U. S. Bureau of Census
CONTACT: Henry Caplan at (202) 273-5124, Office of Policy and Planning (008)

Table 5: Labor Force Status and Unemployment of Selected Groups of Veterans and Nonveterans, CY 2000

Subpopulation		*Number in Labor Force (000's)*	*Percent in Labor Force*	*Number Unemployed (000's)*	*Unemployment Rate(%)*
Description	*Number (000's) (1)*				
BOTH SEXES					
Age 20 or older					
Veterans	24,693	14,543	58.9	421	2.9
Nonveterans	168,965	117,951	69.8	4,141	3.5
MALES					
Age 20 or older					
Veterans	23,138	13,508	58.4	377	2.8
Nonveterans	69,441	57,422	82.7	1,973	3.4
Age 20-39					
Post Vietnam era veterans	3,217	3,027	94.1	102	3.4
Nonveterans	35,077	31,716	90.4	1,316	4.1
Age 40-54					
Vietnam era veterans	6,720	5,870	87.3	161	2.7
Nonveterans	22,384	20,304	90.7	506	2.5
Age 55-64					
Veterans	4,644	3,114	67.1	71	2.3
Nonveterans	6,614	4,460	67.4	114	2.6
FEMALES					
Age 20 or older					
Veterans	1,555	1,035	66.6	44	4.2
Nonveterans	99,523	60,529	60.8	2,168	3.6
Age 20-39					
Veterans	695	555	79.9	25	4.5
Nonveterans	38,898	29,329	75.4	1,335	4.6
Age 40-54					
Veterans	496	383	77.2	15	3.9
Nonveterans	29,851	23,136	77.5	626	2.7

(1) The veteran population estimates in Tables 4 and 5 are derived from a survey and for this reason do not equal estimates in Tables 1-3 that are derived from the VA's Veteran Population Projection Model (ABE2000). The population estimates in Table 4 are based on March 2000 Current Population Survey (CPS) data and differ from estimates in Table 5 which reflect monthly CPS data that have been averaged.

SOURCE: Current Population Survey, U.S. Bureau of Census. Data shown are average monthly figures for CY 2000.
CONTACT: Michael Wells at (202) 273-5106, Office of Policy and Planning (008)

Table 6: VA Health Care, Systemwide WORKLOAD, FY 1996-2000

Data Description	*FY 2000*	*FY 1999*	*FY 1998*	*FY 1997*	*FY 1996*
Unique Patients (1)	3,817,273	3,610,030	3,431,393	3,142,065	2,937,000
Inpatient Care [Patients Treated (2)]					
Acute hospital care (3)	423,570	434,468	441,735	497,547	621,495
Rehabilitative care	14,837	16,274	17,303	18,224	18,625
Psychiatric care	102,354	111,726	126,693	147,117	177,287
Nursing home care	84,136	89,217	96,568	88,657	82,390
Subacute care	44,097	50,332	45,850	36,651	32,691
Residential care	48,876	49,774	49,987	38,650	28,036
TOTAL patients treated	717,870	751,791	778,136	826,846	960,524
Inpatient Care [Average Daily Census (ADC)]					
Acute hospital care (3)	7,948	8,371	9,030	10,461	13,948
Rehabilitative care	1,174	1,259	1,346	1,423	1,642
Psychiatric care	4,517	5,144	6,324	7,919	11,037
Nursing home care	30,755	32,204	33,670	33,805	33,733
Subacute care	1,977	2,562	2,937	3,844	5,085
Residential care	10,349	10,496	10,662	9,901	9,319
TOTAL average daily census	56,720	60,036	63,969	67,353	74,764
Inpatient Care [Length of Stay (4)]					
Acute hospital care (3)	7	7	8	8	8
Rehabilitative care	29	28	28	29	32
Psychiatric care	16	17	18	20	23
Nursing home care	134	132	127	139	150
Subacute care	16	19	23	38	57
Residential care	78	77	78	94	122
Outpatient Visits [x 1000] (5)					
Staff	36,448	35,236	33,417	30,436	28,360
Fee	1,922	1,692	1,555	1,483	1,490
TOTAL visits	38,370	36,928	34,972	31,919	29,850
Outpatient Dental					
Staff examinations	292,396	284,425	287,308	270,743	234,968
Staff treatments	143,880	155,336	159,754	152,955	152,373
Fee cases	12,049	11,648	14,593	17,577	16,647
Long-Term Care Average Daily Census (ADC)					
Institutional Care ADC					
VA nursing home	11,812	12,653	13,391	13,289	13,605
Community nursing home	3,685	4,537	5,605	6,477	7,379
State home nursing (6)	15,258	15,014	14,674	14,027	13,260
VA domiciliaries	5,301	5,235	5,583	5,461	5,521
Psychiatric residential rehabilitation (7)	1,422	1,581	1,453	856	- -
State home domiciliaries (6)	3,626	3,680	3,626	3,576	3,513
TOTAL Institutional Care	41,104	42,700	44,332	43,686	43,278
Home & Community-Based Care ADC					
Home-based primary care	7,312	6,828	6,348	5,531	5,100
Contract home health care (8)	2,569	2,167	1,916	1,728	1,491
VA adult day health care [ADHC]	453	462	442	434	373
Contract adult day health care [CADHC]	697	809	615	551	613
Homemaker/home health aid services (9)	3,080	3,141	2,385	3,396	1,500
Community residential	7,471	7,964	8,104	9,300	9,300
TOTAL Home and Community-Based Care	21,582	21,371	19,810	20,940	18,377

Table 6 Notes:

(1)"Unique Patients" are identified by social security number. The differences between the FY2000 unique patient count of 3,817,273 shown above and the 3,427,925 reported on Table 10 (Enrollees and Users) is due mainly to two patient categories excluded from enrollment reporting (non Veterans [355,091] and veterans who only receive care through the Readjustment Counseling Program [46,865]). In addition, the level of 3,427,925 unique veteran users shown in Table 10 was subsequently updated and reduces by 12,608 to reflect further report validation and refinement. This refinement is reflected in Table 6.

(2) "Patients treated" are defined as "discharges plus deaths plus patients remaining in VA beds at the end of a fiscal year plus inter-hospital transfers."

(3) The category "acute hospital care" covers care provided in medicine, surgery, and neurology bed sections.

(4) "Average length of stay" for a fiscal year reflects only days of care generated in that fiscal year.

(5) Staff outpatient visits are rendered by VA staff; fee-basis visits are purchased from non-VA providers. Total fee-basis visits include home health care visits.

(6) All ADC long-term care data for FY 1996 are from the VHA/Geriatrics and Extended Care Strategic Health Group, not annual departmental budget submissions. This source also applies to state home nursing and state home domiciliary ADC data for FY 1997.

(7) ADC data are not available for "psychiatric residential rehabilitation" for FY 1996. Nevertheless, the FY 1996 results for "TOTAL Institutional Care" are accurate despite the lack of a breakout for this type of institutional long-term care.

(8) Contract home health care data for FY 1996 are estimates based on trend data describing contract home health care visits. The (unknown) proportional change in persons over time is assumed equal to the (known) proportional change in visits over the same time period.

(9) "Homemaker/home health aid services" and "Community residential" ADC data are from VHA/Geriatric and Extended Care SWG records for FY 1996-97.

SOURCE: *FY 1997 - 2002 Department of Veterans Affairs Budget Submissions* (except as indicated otherwise in the notes above)
CONTACT: VHA CFO Office of Financial Management & Budget (173B) at (202) 273-8183 and, for certain FY 1995-96 long-term care data, Daniel Schoeps VHA Geriatrics and Extended Care Strategic Health Group (114) at (202) 273-8543

Table 7: VA Health Care, Systemwide CAPACITIES, FY 1996-2000

Data Description	*FY 2000*	*FY 1999*	*FY 1998*	*FY 1997*	*FY 1996*
Number of VA Installations					
VISNs	22	22	22	22	22
VA hospitals	172	172	172	172	173
VA nursing homes	135	134	132	131	133
VA domiciliaries	43	40	40	40	40
Outpatient clinics (1)	601*	519	551	439	398
Staff Ratios					
FTE/Census					
Acute hospital	6.43	6.27	6.14	5.90	4.87
Rehabilitative care	3.82	3.85	3.67	3.72	3.49
Psychiatric care	3.29	3.20	2.88	2.66	2.28
Nursing home care	0.65	0.65	0.60	0.58	0.58
Subacute care	2.47	2.22	2.10	2.01	1.89
Residential care	0.45	0.45	0.41	0.38	0.40
FTE/1000 patients treated					
Acute hospital	121	121	126	124	109
Rehabilitative care	302	298	286	290	307
Psychiatric care	145	147	144	143	142
Nursing home care	239	236	211	222	237
Subacute care	111	113	135	211	295
Residential care	95	94	87	97	132
FTE/1000 visits	1.88	1.88	1.94	1.88	1.90
FTE by Type					
Physicians	11,109	11,241	11,258	11,507	11,891
Dentists	788	814	826	867	906
Registered Nurses (RN)	33,839	34,071	34,397	35,190	37,187
LPN/LVN/NA	17,971	18,646	19,448	20,184	22,033
Non-physician providers	3,078	3,114	3,078	3,065	3,157
Health techs/allied health	36,364	36,739	36,981	37,568	38,640
Wage board/P&H (2)	25,001	26,031	26,785	27,451	29,109
All other	51,370	52,005	51,995	50,303	52,230
TOTAL	179,520	182,661	184,768	186,135	195,153
FTE by Activity					
Acute hospital care	51,082	52,526	55,446	61,756	67,902
Rehabilitative hospital care	4,482	4,848	4,944	5,293	5,724
Psychiatric care	14,846	16,447	18,213	21,064	25,162
Nursing home care	20,081	21,018	20,365	19,708	19,567
Subacute care	4,881	5,697	6,177	7,736	9,634
Residential care	4,628	4,696	4,348	3,766	3,700
Outpatient care	72,028	69,503	67,783	60,059	56,906
Miscellaneous benefits & services	7,312	7,737	7,323	6,607	6,416
CHAMPVA	180	189	169	146	142
TOTAL	179,520	182,661	184,768	186,135	195,153
FTE by Function					
Direct Care	128,854	130,307	132,089	135,270	142,232
Support	27,328	28,519	28,584	26,480	27,443
Engineering & environment	21,357	22,187	22,703	23,012	24,043
All other	1,981	1,648	1,392	1,373	1,435
TOTAL	179,520	182,661	184,768	186,135	195,153

(1) Starting in FY 1999, data reflect results from the new Planning Systems Support Group (PSSG) VA Site Tracking system (VAST).
(2) P&H refers to contracting for labor on a "purchase and hire" non-recurring basis (e.g., electricians, plumbers).
(*) Does not include 122 Congressionally Approved but not operational Community Based Outpatient Clinics. The total also does excludes clinics located at VA hospitals, 4 independent clinics, and 4 mobile clinics. (Source: FY 2000 VA Site Tracking (VAST) system.)

SOURCE: FY 1997 - 2002 Department of Veterans Affairs Budget Submissions except as indicated otherwise in the notes above
CONTACT: VHA CFO Office of Financial Management & Budget (173B) at (202) 273-8183

Table 8: VA Health Care, Systemwide OBLIGATIONS, FY 1996-2000

Data Description	*FY 2000*	*FY 1999*	*FY 1998*	*FY 1997*	*FY 1996*
Medical Care Appropriation ($1000)					
Acute hospital care	$5,134,501	$4,870,312	$5,040,063	$5,482,246	$5,584,433
Rehabilitative care	385,524	380,119	392,478	406,871	400,093
Psychiatric care	1,200,097	1,185,664	1,245,798	1,497,290	1,600,741
Nursing home care	1,875,573	1,787,399	1,780,117	1,750,615	1,646,252
Subacute care	367,276	386,597	409,313	515,428	567,389
Residential care	374,043	352,691	325,526	292,060	259,616
Outpatient care	8,840,891	7,856,554	7,262,803	6,360,744	5,504,543
Miscellaneous benefits & services	1,021,514	938,691	872,344	747,497	718,333
CHAMPVA	127,145	117,557	112,637	96,712	91,456
Inpatient					
Outpatient					
TOTAL Obligations	$19,326,564	$17,875,584	$17,441,079	$17,149,463	$16,372,856
Average Obligations/Patient Day (1)					
Acute hospital	$1,766	$1,594	$1,529	$1,436	$1,094
Rehabilitative care	897	827	799	783	666
Psychiatric care	726	631	540	518	396
Nursing home care	167	152	145	142	133
Subacute care	508	413	382	367	305
Residential care	99	92	84	81	76
Average Obligations/Patient Treated (1)					
Acute hospital	$12,122	$11,210	$11,410	$11,019	$8,985
Rehabilitative care	25,984	23,357	22,683	22,326	21,482
Psychiatric care	11,725	10,612	9,833	10,178	9,029
Nursing home care	22,292	20,034	18,434	19,746	19,981
Subacute care	8,329	7,681	8,927	14,063	17,356
Residential care	7,653	7,086	6,512	7,557	9,260
Total Long-Term Care ($1000)					
Institutional care	$2,287,311	$2,170,660	$2,129,988	$2,066,981	$1,928,377
Home and community-based care	202,090	184,330	177,979	159,772	99,826
Other long-term care	88,613	83,503	81,976	100,706	96,465
TOTAL long-term care	$2,578,014	$2,438,493	$2,389,943	$2,327,459	$2,124,668
Institutional Long-Term Care ($1000)					
Nursing home care	$1,875,573	$1,787,399	$1,780,117	$1,750,615	$1,646,252
Residential care	374,043	352,691	325,526	292,060	259,616
Respite care	37,695	30,570	24,345	24,306	22,509
TOTAL institutional care	$2,287,311	$2,170,660	$2,129,988	$2,066,981	$1,928,377
Average Obligations/Visit					
Outpatient visit (staff and fee)	$230	$213	$208	$199	$188
Capital Investment					
Obligations ($1000)	$963,601	$739,083	$1,015,202	$1,231,238	$819,859

(1) Patients treated are defined as "discharges plus deaths plus patients remaining in VA beds at the end of a fiscal year plus inter-hospital transfers."

SOURCE: *FY 1997 - 2002 Department of Veterans Affairs Budget Submissions*
CONTACT: VHA CFO Office of Financial Management & Budget (173B) at (202) 273-8183

Table 9: VA Health Care, Systemwide EDUCATION and RESEARCH, FY 1996-2000

Data Description	*FY 2000*	*FY 1999*	*FY 1998*	*FY 1997*	*FY 1996*
VHA Professional Education					
Obligations ($1000)					
Physician residents and fellows	$364,875	$356,559	$350,853	$351,676	$349,061
Associated health residents and students	44,020	42,250	42,059	41,133	40,203
VAMC instructional support	208,299	213,314	221,716	227,782	231,647
VAMC resident admin. support	125,613	113,593	115,319	122,696	123,791
TOTAL obligations for professional education	$742,807	$725,716	$729,947	$743,287	$744,702
Health Professionals Rotating Through VA					
Physician residents & fellows	28,921	31,012	29,908	32,536	32,612
Medical students	17,706	18,771	18,549	19,761	20,011
Nursing students	19,961	25,406	23,941	26,678	27,194
Associated health residents & students	17,922	16,642	18,798	17,947	27,096
TOTAL number of persons	84,510	91,831	91,196	96,922	106,913
VHA Research					
Summary of Financial Resources ($1000)					
Medical & prosthetic research appropriation	$321,000	$315,652	$272,000	$262,000	$256,678
Medical Care support	344,793	325,994	310,665	319,793	334,700
Federal grants (NIH)	244,800	337,558	285,915	225,515	209,470
Other grants (voluntary agencies)	175,300	143,033	128,819	155,924	105,903
DoD reimbursements (1)	0	0	15,339	15,376	16,242
TOTAL budgetary resources	$1,085,893	$1,122,237	$1,012,738	$978,608	$922,993
Average Employment (FTE)	3,014	2,974	2,758	2,957	3,250
Obligations by Sub-Activity ($1000)					
Research programs (individual) (2)	$219,540	$205,631	$194,345	$177,333	$191,005
Career development	23,828	22,648	13,612	10,722	13,536
Research programs (multi-site)	42,994	41,408	22,912	23,183	22,838
Special research initiatives	10,152	9,738	1,953	11,922	9,434
Environmental medicine (3)	- -	- -	8,325	3,644	3,792
Rehabilitation centers/units	8,806	8,536	9,228	4,300	9,690
Centers of Excellence (4)	6,216	6,010	17,014	15,528	- -
Health Services Research Centers (5)	8,806	8,347	9,705	6,067	5,779
Service Directed Research (6)	3,563	3,440	- -	- -	- -
Franchise Fund (7)	774	774	- -	- -	- -
Reimbursable programs	27,382	41,559	51,696	46,587	51,287
TOTAL Obligations	$352,061	$348,091	$328,790	$299,286	$307,361

(1) There was no legislative authority in the Department of Defense authorization for any reimbursement to the VA Research program in 1999 or 2000.
(2) Obligated dollars associated with "Evaluations" (identified in the FY 1995-97 budgets) have been added to "Research programs (individual)."
(3) Starting in FY 1999, "Environmental medicine" is included in "Research programs (individual)."
(4) Centers of Excellence were first identified separately in the President's Budget in FY 1997.
(5) "Field programs" identified separately in the FY 1996 budget have been added to "Health Service Research Centers."
(6) Starting in FY 1999, through "Service Directed Research," VA Research Headquarters directly funds specific researchers to conduct desired studies.
(7) VA Research was not required to participate in the Franchise Fund until FY 1999.

SOURCE: FY 1998 - 2001 Department of Veterans Affairs Budget Submissions, Medical Programs
CONTACT: VHA CFO Resource Formulation Office (171) at (202) 273-8153

Table 10: Frequency and Average Cost for Enrollees and Users by ENROLLMENT PRIORITY Group, FY 2000

Priority Group (1)	*Users (2)*	*Total Enrollees (3)*	*Total Cost*	*% (Users/ Enrollees)*	*Average Cost*			*Average Cost*		
					New Users (4)	*Past Users (5)*	*%(New/Past)*	*Enrollees*	*Users*	*%(Enrollee/User)*
1	441,491 *13%*	492,426 *10%*	$3,726,665,840 *22%*	90%	$3,242	$8,592	38%	$7,568	$8,441	90%
2	264,535 *8%*	344,809 *7%*	$1,091,466,785 *7%*	77%	$1,895	$4,316	44%	$3,165	$4,126	77%
3	434,690 *13%*	628,860 *13%*	$1,582,257,830 *10%*	69%	$1,589	$3,932	40%	$2,516	$3,640	69%
4	145,848 *4%*	167,923 *3%*	$2,836,514,805 *17%*	87%	$17,466	$19,593	89%	$16,892	$19,448	87%
5	1,397,736 *41%*	1,948,536 *40%*	$6,091,137,355 *37%*	72%	$2,561	$4,764	54%	$3,126	$4,358	72%
6	48,440 *1%*	90,896 *2%*	$113,461,622 *1%*	53%	$1,417	$2,530	56%	$1,248	$2,342	53%
7	574,516 *17%*	1,142,140 *24%*	$1,059,139,563 *6%*	50%	$1,095	$2,313	47%	$927	$1,844	50%
90	120,669 *4%*	0 *0%*	$145,986,127 *1%*	NA	$625	$2,379	26%	NA	$1,210	
All Veterans	3,427,925 *100%*	4,815,590 *100%*	$16,646,629,927 *100%*	71%	$1,959	$5,553	35%	$3,457	$4,856	71%

(1) Enrollment priority groups are defined in Title 38, Section 1705 as follows (approximately):

Priority Group 1: Veterans with service-connected disabilities rated 50% or greater

Priority Group 2: Veterans with service-connected disabilities rated 30% or 40%

Priority Group 3: Veterans who are former prisoners of war, veterans who have service-connected disabilities rated 10% or 20%, and veterans who were discharged from active duty due to disability incurred or aggravated in the line of duty, and veterans subject to Section 1151

Priority Group 4: Veterans in receipt of increased pension benefits based on need of aid and attendance or permanent housebound status and veterans who are catastrophically disabled.

Priority Group 5: Low income nonservice-connected veterans

Priority Group 6: Special category veterans (e.g., Agent Orange, radiation exposure)

Priority Group 7: Includes Priority Group (7-1), high income nonservice-connected; and Priority Group (7-2), high income 0% service-connected veterans

Priority Group 90: Veteran user not in Enrollment File

(2) Users includes veterans only. Excluded are non-veterans users (e.g., employee outpatients, sharing agreement patients, and CHAMPVA patients) and those veterans who only received services in the Readjustment Counseling program. In addition, the count of 3,427,925 veteran users shown above has subsequently been updated and reduced by 12,608 to reflect further report validation and refinement. See Table 6, Note (1).

(3) Total Enrollees include veterans who have not declined enrollment or been declared ineligible as of 9/30/00. Also includes enrollees who died during FY 2000.

(4) New User: a veteran who used the VA health care system in FY 2000 but who did not use the system in the previous three years (FY 1997, FY 1998, FY 1999)

(5) Past User: a veteran who used the system in FY 2000 and who also used the system in FY 1997, FY 1998, or FY 1999

- For Users, Total Enrollees, and Total Cost, distribution percents are shown in italics below the data entry for each Priority Group.

SOURCE: VHA/CFO report, *Enrollment Cost Summary, September 2000 Data (Second Year)* .

CONTACT: VHA/Office of Finance (172) at (202) 273-8153

Table 11: Frequency and Average Cost for Enrollees and Users by Veteran Integrated Service NETWORK (VISN), FY 2000

By Average Cost Per User

					Average Cost		
VISN #	*VISN Headquarters*	*Users (1)*	*Enrollees (2)*	*Cost (Expenditures)*	*Per User (3)*	*Per Enrollee*	*%(AC Enrollees / AC Users)*
3	Bronx	167,051	268,089	$ 1,022,359,739	**$ 6,120**	$ 3,814	62.3%
12	Chicago	143,118	219,960	847,317,424	**5,920**	3,852	65.1%
5	Baltimore	86,956	118,241	498,025,008	**5,727**	4,212	73.5%
22	Long Beach	176,604	270,090	976,344,045	**5,528**	3,615	65.4%
21	San Francisco	145,231	212,146	780,759,998	**5,376**	3,680	68.5%
1	Boston	158,491	224,065	849,320,909	**5,359**	3,791	70.7%
11	Ann Arbor	143,263	189,090	725,523,320	**5,064**	3,837	75.8%
20	Portland	144,145	201,772	725,065,671	**5,030**	3,593	71.4%
10	Cincinnati	117,804	181,542	591,227,717	**5,019**	3,257	64.9%
6	Durham	162,474	235,871	794,227,819	**4,888**	3,367	68.9%
17	Dallas	151,387	204,091	736,351,281	**4,864**	3,608	74.2%
	Nation (4)	**3,427,925**	**4,815,590**	**$16,646,629,927**	**$4,856**	**$3,457**	**71.2%**
9	Nashville	164,087	211,283	781,416,424	**4,762**	3,698	77.7%
13	Minneapolis	98,039	127,864	461,345,357	**4,706**	3,608	76.7%
7	Atlanta	202,893	272,499	939,616,995	**4,631**	3,448	74.5%
19	Denver	94,826	133,269	434,559,383	**4,583**	3,261	71.2%
14	Lincoln	72,769	102,523	329,452,540	**4,527**	3,213	71.0%
16	Jackson	295,430	389,717	1,327,089,158	**4,492**	3,405	75.8%
2	Albany	99,786	145,489	443,071,906	**4,440**	3,045	68.6%
15	Kansas City	147,288	184,151	647,427,303	**4,396**	3,516	80.0%
4	Pittsburgh	202,563	299,734	864,427,241	**4,267**	2,884	67.6%
18	Phoenix	151,239	202,468	624,552,691	**4,130**	3,085	74.7%
8	Bay Pines	302,482	417,899	1,247,147,998	**4,123**	2,984	72.4%

(1) User data shown are based on counts of "pro-rated persons" which usually are not whole numbers at levels of aggregation below the national level. Thus, when users for each VISN are summed to yield a national total, rounding error may occur. The count of users above reflects veterans only and agrees with the total veteran users shown on Table 10. See Table 10, Note (2) and Table 6, Note (1).

(2) Enrollees indicated for each VISN are Total Enrollees. These VISN-specific totals include all veterans who are in the Enrollment File, both those who died in FY 2000 as well as those living at the end of FY 2000. The national total includes 3,737 veterans who could not be assigned to a VISN because the preferred facility indicated by the veteran in the enrollment process was inappropriate (e.g., a non-VA hospital).

(3) VISN-specific rows of data are sorted by average cost per user.

(4) National level cost of $16,646,629,927 reflects dollars distributed through a patient-specific cost allocation system. This total does not reflect all dollars used to produce VA health care services. Excluded are dollars that cannot be mapped to uniquely identifiable patients (SSNs) through cost distribution methods (e.g., major capital costs).

SOURCE: VHA/CFO report, *Enrollment Cost Summary, September 2000 Data (Second Year).*

CONTACT: VHA/Office of Finance (172) at (202) 273-8153

Table 12: Disability / Class of Dependent and Period of Service, September 30, 2000 (COMPENSATION)

Class of Dependent	Total Number	Total Monthly Value	World War II Number	World War II Monthly Value	Korean Conflict Number	Korean Conflict Monthly Value	World War I and Earlier (1) Number	World War I and Earlier (1) Monthly Value
Veteran recipients--total	2,308,186	$ 1,231,115,200	505,087	$ 248,488,600	170,616	$ 99,795,700	46	$ 34,600
Veterans less than 30 percent disabled								
(no dependency benefit)	1,227,206	153,737,700	267,752	32,210,200	85,527	10,422,400	14	2,100
Veterans 30 percent or more disabled	1,080,980	1,077,377,500	237,335	216,278,400	85,089	89,373,300	32	32,400
Without dependents	339,422	315,329,700	84,840	68,641,300	28,041	26,959,700	22	22,700
With dependents	741,558	762,047,900	152,495	147,637,000	57,048	62,413,500	10	9,700
Spouse only	496,360	513,179,000	148,888	143,490,000	54,024	58,456,700	8	8,700
Spouse, child or children	191,193	190,152,600	2,696	3,077,300	2,242	2,852,400	2	1,100
Spouse, child or children,								
and parent or parents	871	1,490,600	3	2,400	12	23,300	--	--
Spouse, parent or parents	960	1,672,700	42	55,500	94	169,200	--	--
Child or children only	49,447	50,458,400	794	909,000	582	725,600	--	--
Child or children, and parent or parents	380	653,600	--	--	--	--	--	--
Parent or parents only	2,347	4,441,000	72	102,800	94	186,200	--	--
Total dependents on whose account								
additional compensation was being paid	1,118,561	--	155,814	--	60,234	--	17	--
Spouse	689,377	--	151,622	--	56,372	--	10	--
Children	424,163	--	4,073	--	3,656	--	7	--
Parents	5,021	--	119	--	206	--	--	--

Class of Dependent	Vietnam Era Number	Vietnam Era Monthly Value	Gulf War Number	Gulf War Monthly Value	Peacetime Number	Peacetime Monthly Value
Veteran recipients--total	740,976	$ 499,452,700	324,628	$ 120,464,500	566,833	$ 262,879,200
Veterans less than 30 percent disabled						
(no dependency benefit)	332,280	42,056,100	191,897	24,944,300	349,736	44,102,600
Veterans 30 percent or more disabled	408,696	457,396,600	132,731	95,520,200	217,097	218,776,700
Without dependents	122,476	130,767,900	32,406	21,054,800	71,637	67,883,200
With dependents	286,220	326,628,700	100,325	74,465,400	145,460	150,893,500
Spouse only	190,506	212,036,600	28,696	19,817,000	74,238	79,369,900
Spouse, child or children	73,753	86,403,100	58,225	44,354,200	54,275	53,464,600
Spouse, child or children,						
and parent or parents	467	868,500	140	168,700	249	427,600
Spouse, parent or parents	567	1,060,100	59	67,200	198	320,600
Child or children only	19,513	23,540,700	12,950	9,756,600	15,608	15,526,500
Child or children, and parent or parents	172	315,900	70	74,300	138	263,400
Parent or parents only	1,242	2,403,700	185	227,400	754	1,520,900
Total dependents on whose account						
additional compensation was being paid	415,441	--	222,663	--	264,392	--
Spouse	265,293	--	87,120	--	128,960	--
Children	147,438	--	135,027	--	133,962	--
Parents	2,710	--	516	--	1,470	--

(1) Includes 8 Mexican Border Period service-connected veterans.
Includes special monthly compensation, where applicable.
All numbers and monthly values are as of September 30, 2000. Detail may not add to totals due to rounding.

SOURCE: VA Administrative Report, RCS 20-0239

CONTACT: Jan Somers at (202) 273-5105 and Mike Wells at (202) 273-5106, Office of Policy and Planning (008)

TRENDS & HIGHLIGHTS: See Table 12 Trends & Highlights.

Table 13: Disability / Degree of Impairment and Type of Major Disability by Period of Service, September 30, 2000 (COMPENSATION)

	TOTAL		Psychiatric and Neurological Diseases		General Medical and Surgical Conditions	
Degree of Impairment	*Number*	*Monthly Value (1)*	*Number*	*Monthly Value (1)*	*Number*	*Monthly Value (1)*
Total -- all periods	2,308,186	$ 1,231,116,600	450,642	$ 461,995,400	1,857,544	$ 769,121,200
Zero percent (statutory award)	17,469	1,220,300	..	.	17,469	1,220,300
10 percent.	838,886	82,593,500	91,874	9,008,100	747,012	73,585,400
20 percent	370,852	69,924,100	23,032	4,334,300	347,820	65,589,800
30 percent	308,893	99,278,800	64,499	20,378,600	244,394	78,900,200
40 percent	197,126	91,106,500	29,027	13,299,300	168,099	77,807,200
50 percent	118,638	77,256,800	41,626	26,743,600	77,012	50,513,200
60 percent	122,622	135,802,000	23,733	23,431,200	98,889	112,370,800
70 percent	86,497	132,135,000	39,035	62,691,500	47,462	69,443,500
80 percent	52,422	91,590,000	18,707	34,092,800	33,715	57,497,200
90 percent.	24,474	46,961,800	8,457	16,757,500	16,017	30,204,300
100 percent	170,307	403,247,800	110,652	251,258,400	59,655	151,989,400
World War I (2)	46	$ 34,600	8	7,700	38	$ 26,900
Zero percent (statutory award)	1	100	..	.	1	100
10 percent	7	700	1	100	6	600
20 percent	6	1,300	..	.	6	1,300
30 percent	7	2,200	..	.	7	2,200
40 percent	7	3,300	4	2,100	3	1,300
50 percent	3	1,800	..	.	3	1,800
60 percent	4	4,500	..	.	4	4,500
70 percent	3	5,400	..	.	3	5,400
80 percent	1	1,200	1	1,200	.	..
90 percent	1	1,200	..	.	1	1,200
100 percent	6	12,700	2	4,300	4	8,300
World War II	505,087	$ 248,490,000	112,611	$ 85,905,900	392,476	$ 162,584,000
Zero percent (statutory award)	7,531	511,400	..	.	7,531	511,400
10 percent	190,923	18,701,100	34,607	3,386,600	156,316	15,314,400
20 percent	69,299	12,997,900	5,369	1,007,300	63,930	11,990,700
30 percent	73,012	22,578,200	19,933	6,135,700	53,079	16,442,500
40 percent	41,431	18,365,100	6,778	2,989,100	34,653	15,376,100
50 percent	27,948	17,640,100	10,204	6,407,700	17,744	11,232,400
60 percent	30,316	34,617,000	5,740	6,028,900	24,576	28,588,100
70 percent	18,609	27,689,500	7,353	11,504,300	11,256	16,185,200
80 percent	12,672	21,526,300	3,917	7,040,600	8,755	14,485,700
90 percent	5,955	11,244,300	1,776	3,466,700	4,179	7,777,600
100 percent	27,391	62,619,100	16,934	37,939,200	10,457	24,679,900
Korean Conflict	170,616	$ 99,795,700	31,166	$ 35,661,200	139,450	$ 64,134,400
Zero percent (statutory award)	5,056	342,800	..	.	5,056	342,800
10 percent	56,587	5,575,400	5,842	572,800	50,745	5,002,600
20 percent	23,884	4,504,100	1,193	224,500	22,691	4,279,600
30 percent	23,293	7,304,000	4,272	1,321,700	19,021	5,982,300
40 percent	14,387	6,485,000	1,772	794,100	12,615	5,690,900
50 percent	8,766	5,600,800	2,725	1,726,200	6,041	3,874,600
60 percent	11,125	13,625,200	1,761	1,910,700	9,364	11,714,500
70 percent	6,801	10,580,500	2,408	3,818,400	4,393	6,762,100
80 percent.	4,508	7,990,100	1,323	2,435,900	3,185	5,554,200
90 percent	2,195	4,230,700	692	1,374,200	1,503	2,856,500
100 percent	14,014	33,557,100	9,178	21,482,700	4,836	12,074,300

Table 13 (continued): Disability / Degree of Impairment and Type of Major Disability by Period of Service, September 30, 2000 (COMPENSATION)

Degree of Impairment	*TOTAL*		*Psychiatric and Neurological Diseases*		*General Medical and Surgical Conditions*	
	Number	*Monthly Value (1)*	*Number*	*Monthly Value (1)*	*Number*	*Monthly Value (1)*
Degree of Impairment						
Vietnam Era	740,976	$ 499,452,700	182,666	$ 225,212,300	558,310	$ 274,240,400
10 percent	1,644	132,600	..	..	1,644	132,600
20 percent	227,800	22,478,500	24,224	2,376,800	203,576	20,101,700
30 percent	102,836	19,445,000	6,122	1,152,500	96,714	18,292,500
40 percent	100,946	32,583,300	23,312	7,439,300	77,634	25,144,000
50 percent	66,094	30,585,600	10,003	4,601,300	56,091	25,984,200
60 percent	43,772	28,539,500	18,022	11,616,400	25,750	16,923,100
70 percent	41,805	45,631,100	9,279	8,821,800	32,526	36,809,400
80 percent	38,443	61,282,400	20,880	34,894,400	17,563	26,388,000
90 percent	21,450	38,551,800	8,653	16,131,400	12,797	22,420,400
100 percent	10,192	19,782,800	3,759	7,528,300	6,433	12,254,500
	85,994	200,440,100	58,412	130,650,100	27,582	69,790,000
Gulf War	324,628	$ 120,464,500	42,477	$ 29,982,800	282,151	$ 90,481,700
10 percent	123,948	12,199,700	8,768	862,100	115,180	11,337,600
20 percent	67,416	12,704,000	4,558	859,000	62,858	11,845,000
30 percent	47,466	15,914,300	6,961	2,283,400	40,505	13,630,900
40 percent	33,469	16,071,600	5,373	2,537,900	28,096	13,533,600
50 percent	15,953	10,784,300	4,061	2,694,500	11,892	8,089,800
60 percent	13,895	12,749,100	3,337	2,955,100	10,558	9,794,000
70 percent	7,909	10,228,400	2,884	3,985,700	5,025	6,242,800
80 percent	4,743	7,563,900	1,916	3,223,300	2,827	4,340,700
90 percent	1,979	3,660,400	892	1,722,300	1,087	1,938,100
100 percent	7,317	18,548,300	3,727	8,859,400	3,590	9,688,800
Peacetime	566,833	$ 262,879,200	81,714	$ 85,225,500	485,119	$ 177,653,700
10 percent	239,621	23,638,000	18,432	1,809,600	221,189	21,828,300
20 percent	107,411	20,271,700	5,790	1,091,000	101,621	19,180,700
30 percent	64,169	20,896,800	10,021	3,198,500	54,148	17,698,200
40 percent	41,738	19,596,000	5,097	2,374,800	36,641	17,221,200
50 percent	22,196	14,690,300	6,614	4,298,800	15,582	10,391,500
60 percent	25,477	29,175,000	3,616	3,714,700	21,861	25,460,300
70 percent	14,732	22,348,800	5,510	8,488,800	9,222	13,860,000
80 percent	9,048	15,956,700	2,897	5,260,400	6,151	10,696,300
90 percent	4,152	8,042,500	1,338	2,666,200	2,814	5,376,300
100 percent	35,585	88,070,600	22,399	52,322,700	13,186	35,747,900

(1) Includes special monthly compensation, allowance to dependents, unemployables receiving compensation at the 100 percent rate but appearing as less than totally impaired (60%-90%), and other special awards, where applicable.

(2) Includes 8 Mexican Border Period service-connected veterans and excludes 1 retired emergency officer.

All numbers and monthly values are as of September 30, 2000. Detail may not add to total due to rounding.

SOURCE: VA Administrative Report, RCS 20-0223

CONTACT: Jan Somers at (202) 273-5105 and Mike Wells at (202) 273-5106, Office of Policy and Planning (008)

Table 14: Disability / Type of Major Disability and Pension by Period of Service, September 30, 2000 (PENSION)

Type of Disability and Pension	*Total*		*World War I & Earlier (1)*		*World War II*	
	Number	*Monthly Value*	*Number*	*Monthly Value*	*Number*	*Monthly Value*
Cases--total	364,220	$ 179,600,700	174	$ 106,900	170,957	$ 68,825,800
Type of disability						
Psychiatric and neurological diseases	110,337	62,556,600	32	22,300	42,951	22,253,400
Psychoses	26,900	14,120,100	2	1,500	6,655	3,057,000
Other psychiatric and neurological diseases	83,437	48,436,500	30	20,800	36,296	19,196,400
General medical and surgical conditions (2)	217,874	105,986,700	120	81,000	93,778	36,020,200
Considered permanently and totally disabled at age 65	36,009	11,057,500	22	3,600	34,228	10,552,200
Type of pension						
P.L. 95-588	340,312	176,346,200	142	103,400	153,015	66,411,300
Sec. 306	23,604	3,228,300	30	3,400	17,702	2,393,600
Old Law	304	26,300	2	100	240	21,000

Type of Disability and Pension	*Korean Conflict*		*Vietnam Era*		*Gulf War*	
	Number	*Monthly Value*	*Number*	*Monthly Value*	*Number*	*Monthly Value*
Cases--total	84,187	$ 36,359,500	107,386	$ 73,288,700	1,516	$ 1,019,900
Type of disability						
Psychiatric and neurological diseases	24,232	11,881,500	42,270	27,856,100	852	543,300
Psychoses	6,183	2,871,200	13,809	8,062,600	251	127,700
Other psychiatric and neurological diseases	18,049	9,010,300	28,461	19,793,400	601	415,600
General medical and surgical conditions	58,412	24,069,700	64,907	45,342,500	657	473,400
Considered permanently and totally disabled at age 65	1,543	408,300	209	90,100	7	3,200
Type of pension						
P.L. 95-588	79,390	35,697,000	106,249	73,114,600	1,516	1,019,900
Sec. 306	4,735	657,300	1,137	174,100	--	--
Old Law	62	5,200	--	--	--	--

(1) Includes 5 nonservice-connected Mexican Border Service veterans.

Detail may not add to totals due to rounding.

SOURCE: VA Administrative Report, RCS 20-0225

CONTACT: Jan Somers at (202) 273-5105 and Mike Wells at (202) 273-5106, Office of Policy and Planning (008)

TRENDS & HIGHLIGHTS: [to be added]

Table 15: Guaranteed Loans, Defaults and Claims, and Property Management, FY 1997-2000

	Cumulative (1) Through 9/30/00	***FY 2000***	*FY 1999*	*FY 1998*	*FY 1997*	
Loan Guarantees						
Number of guarantees issued, total	16,369,190	199,160	485,614	343,954	258,775	
Home	16,255,653	199,160	485,610	343,954	258,766	
Manufactured home	113,537	0	4	0	9	
Amount of loans ($000), total	677,223,079	23,372,159	54,087,766	37,906,134	27,042,262	
Home	675,151,799	23,372,159	54,087,681	37,906,134	27,042,078	
Manufactured home	2,071,280	0	85	0	184	
Average amount of loan						
Home	41,533	117,354	111,381	110,207	104,504	
Manufactured home	18,243	0	21,204	0	20,446	
Amount of guaranty and insurance ($000), total	256,455,485	7,071,309	16,659,581	11,756,697	8,631,811	
Home	255,465,713	7,071,309	16,659,539	11,756,697	8,631,723	
Manufactured home	989,772	0	42	0	88	
Average interest rate	n/a	8.06%	6.99%	7.40%	8.10%	
Number of loans outstanding (end of period)	n/a	3,094,142	3,171,862	3,229,524	3,302,150	
Substitutions of entitlement	52,186	612	505	814	1,398	
Defaults and Claims(2)						
Defaults reported	5,810,966	(2)	118,426	132,147	132,534	
Loans in default-end of period	n/a	(2)	121,997	133,573	132,245	102,137
As a percent of loans outstanding	n/a	(2)	3.85%	4.14%	4.00%	
Claims pending - end of period	n/a	(2)	1,246	1,516	1,800	579
Defaults disposed of, total	5,687,723	(2)	130,272	131,103	112,995	
Cured or withdrawn	4,721,811	(2)	102,367	103,712	92,344	
Percent	83.0%	(2)	78.6%	79.1%	81.7%	
Average number of loans outstanding during year	n/a	(2)	3,192,936	3,256,335	3,314,986	
Claims vouchered for payment	965,912	(2)	27,905	27,391	20,651	
As a percent of average loans outstanding	n/a	(2)	0.87%	0.84%	0.62%	
Servicing efforts-total actions	n/a	(2)	13,009	12,514	12,967	
Successful interventions	n/a	(2)	6,340	5,759	6,239	
Deeds in lieu of foreclosures	n/a	(2)	611	846	1,031	
Compromise agreements	n/a	(2)	3,773	4,975	4,016	
Refundings	n/a	(2)	2,285	934	1,681	
Counseling	n/a	(2)	223,771	218,999	237,217	
Property Management(2)						
Number acquired	961,481	(2)	24,217	24,765	20,960	
Number sold	940,078	(2)	24,758	21,859	19,981	
Number of properties repaired (over $1,000)	n/a	(2)	13,091	10,370	9,138	
Average cost of repairs	n/a	(2)	2,473	2,161	2,143	
Number on hand (end of period)	n/a	(2)	12,044	12,541	9,484	

(1) Since beginning of program.
(2) No data for FY 2000 available as of January, 2001
- Detail may not add to total due to rounding. A "- - - -" entry in the "Cumulative Through 9/30/99" column of data indicates "not applicable."

SOURCE: Various reports from the Computer Output/Input Number (COIN) data systems including ad hoc reporting against the Guaranteed or Insured Loan (GIL) Master File/[GIL 01-01, GIL 02-01, GIL 50-01]; the Property Management System [PMS 01-01] and the Distribution of Operational Resources System (DORS 6001and 6005)
CONTACT: Kathleen Mangold at (202) 273-7400, VBA/Information Technology and Program Analysis Division, Program Analysis (26A2B)

Table 16: Comparative Highlights for Life Insurance Programs for Veterans and Servicemembers, FY 1997-2000
(Numbers & Dollars in Thousands)

Program	*FY 2000*	*FY 1999*	*FY 1998*	*FY 1997*
U. S. Government Life Insurance				
Policies	16	18	20	21
Amount	$ 53,217	$ 59,039	$ 64,842	$ 70,772
Disbursements, Total	$ 12,017	$ 12,142	$ 12,864	$ 14,243
Death benefits	$ 5,173	$ 4,898	$ 5,047	$ 5,255
Dividends	$ 3,609	$ 3,731	$ 4,146	$ 4,857
Other	$ 3,235	$ 3,513	$ 3,671	$ 4,131
National Service Life Insurance (1)				
Policies	1,716	1,822	1,927	2,034
Amount	$ 17,012,828	$ 17,661,885	$ 18,263,715	$ 18,826,240
Disbursements, Total	$ 1,647,695	$ 1,648,521	$ 1,684,575	$ 1,711,414
Death benefits	$ 837,446	$ 811,042	$ 792,080	$ 767,327
Dividends	$ 595,691	$ 632,133	$ 690,297	$ 741,735
Other	$ 214,558	$ 205,346	$ 202,198	$ 202,352
Veterans Special Life Insurance (1)				
Policies	243	249	256	264
Amount	$ 2,668,722	$ 2,698,957	$ 2,730,545	$ 2,784,765
Disbursements, Total	$ 174,801	$ 183,735	$ 206,665	$ 192,913
Death benefits	$ 51,926	$ 49,107	$ 46,790	$ 44,243
Dividends	$ 96,121	$ 100,855	$ 104,787	$ 103,918
Other	$ 26,754	$ 33,773	$ 55,088	$ 44,752
Service-Disabled Veterans Insurance				
Policies	151	154	157	160
Amount	$ 1,418,460	$ 1,440,384	$ 1,452,312	$ 1,473,388
Disbursements, Total	$ 64,349	$ 60,369	$ 63,587	$ 63,331
Death benefits	$ 42,425	$ 40,100	$ 41,533	$ 40,297
Other	$ 21,924	$ 20,269	$ 22,054	$ 23,034
Veterans Reopened Insurance (1)				
Policies	78	83	88	93
Amount	$ 647,701	$ 675,119	$ 700,826	$ 726,596
Disbursements, Total	$ 63,514	$ 64,562	$ 67,109	$ 67,152
Death benefits	$ 34,480	$ 34,238	$ 34,142	$ 33,022
Dividends	$ 21,816	$ 24,287	$ 26,134	$ 28,497
Other	$ 7,218	$ 6,037	$ 6,833	$ 5,633
Veterans Mortgage Life Insurance				
Policies	3	4	4	4
Amount	$ 197,988	$ 200,689	$ 206,090	$ 203,294
Death benefits	$ 7,656	$ 8,302	$ 7,318	$ 8,043
Servicemembers' Group Life Insurance				
Policies	2,338	2,328	2,398	2,508
Amount	$ 429,324,200	$ 429,981,500	$ 449,203,100	$ 474,144,500
Death benefits (2)	$ 320,322	$ 315,207	$ 346,963	$ 377,786
Veterans Group Life Insurance				
Policies	382	364	368	370
Amount	$ 35,258,870	$ 31,899,260	$ 31,470,560	$ 30,955,390
Death benefits (2)	$ 112,587	$ 94,613	$ 95,005	$ 91,117

(1) Includes paid-up additional insurance purchased by dividends.

(2) SGLI and VGLI death benefits are policy year death benefits, ending June 30.

SOURCE: Insurance Program Exhibits and Cash Flow Statements
CONTACT: Mike Tarzian at (215) 842-2000-4297, VBA/Insurance Service, Chief, Actuarial Staff (290D)

Table 17: Persons in Education Programs by Entitlement and Type of Training, FY 2000

Program	*Total*	*Institutions of Higher Learning*	*Resident Schools Other Than College*	*On-Job Training*	*Other* (1)
Montgomery GI Bill--Active Duty (Title 38, U.S.C., Chapter 30)	279,948	249,691	17,432	10,564	2,261
Montgomery GI Bill--Selected Reserve (Title 10, U.S.C., Chapter 1606)	70,299	65,689	2,306	2,151	153
Post-Vietnam Era Veterans' Educational Assistance Program (Title 38, U.S.C., Chapter 32) (2)	2,545	2,302	187	56	--
Educational Assistance for Children of Totally Disabled or Deceased Veterans (Title 38, U.S.C., Chapter 35)	38,965	37,119	1,764	79	3
Educational Assistance for Spouses of Totally Disabled or Deceased Veterans (Title 38, U.S.C., Chapter 35)	5,855	5,354	399	6	96

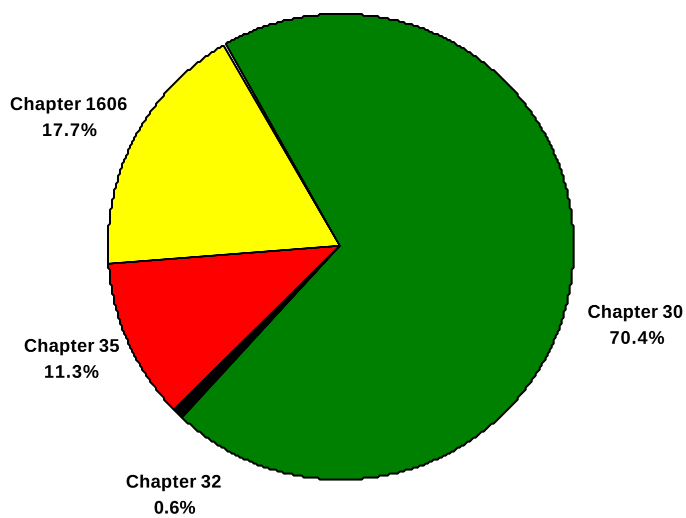
(1) "Other" for Chapter 35 (Spouses) and for Chapter 30 (Veterans), and Chapter 1606 (Reservists) is Correspondence Training; for Chapter 35 (Children), "Other" is Special Restorative Training.

(2) Includes Section 901--Educational Assistance Test Program (Institutions of Higher Learning only).

SOURCE: COIN EDU 701, 290; COIN TAR 702; RCS 20-0311; VBA (20A33) staff

CONTACT: Mike Wells at (202) 273-5106 and Jan Somers at (202) 273-5105, Office of Policy and Planning (008)

Educational Assistance
Percentage Distribution by Type of Entitlement, FY 2000



Educational Assistance Percent Distribution by Type of Entitlement Fiscal Year 2000

Chapter 30	279,948	70.4%
Chapter 32	2,545	0.6%
Chapter 35	44,820	11.3%
Chapter 1606	70,299	17.7%
	397,612	100.0%
Chapter 31	0	0.0%

Table 18: Persons in Programs of Vocational Rehabilitation and Employment, FY 1997-2000
(Title 38, U.S.C., Chapter 31)

Program Status	*2000*	*1999*	*1998*	*1997*
Veteran Applicants (1)	55,974	60,149	58,295	55,533
Found Entitled (2)	33,065	29,123	29,857	27,224
Program Activities	246,351			
Program Participants (3)	52,786	52,284	53,449	54,352
(a) Total Program Terminations (4)	16,432	19,426	n/a	n/a
(b) Total Rehabilitated (5)	10,603	10,281	9,314	8,693
Suitably Employed	9,836	9,962	9,009	8,407
Independence in Daily Living	767	319	305	286
(c) Percent Rehabilitated	64.5%	52.9%	n/a	n/a

(1) "Veteran Applicants" is the number of applications occurring during a year.

(2) "Found Entitled" is the number of veteran applicants found to be entitled to Vocational Rehabilitation and Employment Program benefits during a year.

(3) "Program Activities" is the total number of participants served during a year where some have been program participants prior to FY 2000. Not all veterans found entitled during a year become participants during the same year. In this context, "activities" are those veterans who have received some program service during the year. Those veterans who progressed through a series of planned steps and services are counted in each individual activity.

(4) "Total Program Terminations" equals those participants who are rehabilitated, plus those not rehabilitated but leaving the program, plus a small number of deaths. For FY 1997 and 1998, complete program termination data are not available. Consequently, percent rehabilitated cannot be calculated for these years.

(5) The goal of veterans participating in the Vocational Rehabilitation and Employment Program is either to obtain suitable employment or maximum independence in daily living activities. Educational services are often provided to achieve these goals.

SOURCE: COIN TAR 6000 and VBA

CONTACT: James Reed at (202) 273-7420, Vocational Rehabilitation and Employment Service (28)

Table 19: National Cemetery Locations, Interments, and Gravesite Status, September 30, 2000

			Committed Gravesites			Available Gravesites		Depletion Date
National Cemetery		FY 2000 Interments	Used Cumulative (1)	Reserved	Set Aside (Adjacent)	Cremains (2)	Casket (3)	For Full-Casket Gravesites (4)
	Total:	82,717	2,380,475	38,734	35,073	73,328	319,731	
Alabama:	Ft. Mitchell	332	3,286	--	5	329	2,499	2030+
	Mobile	17	3,778	163	--	12	--	1963
Alaska:	Ft. Richardson	140	3,066	--	--	263	316	2030+
	Sitka	23	870	1	--	38	198	2020
Arizona:	NMCA	2,313	27,147	--	8	257	887	2030+
	Prescott	5	2,966	--	--	--	--	1974
Arkansas:	Fayetteville	203	5,404	34	2	1,281	1,170	2012
	Ft. Smith	374	9,430	119	1	1,132	2,368	2011
	Little Rock	426	21,993	167	--	27	261	2001
California:	Ft. Rosecrans	2,350	63,359	1,298	--	932	--	1966
	Golden Gate	756	111,594	4,537	--	--	--	1967
	Los Angeles	180	76,029	--	--	--	--	1976
	Riverside	7,435	107,361	--	5,070	2,317	28,256	2021
	San Francisco	81	26,418	336	--	--	--	1962
	San Joaquin Valley	2,117	12,969	--	--	936	10,638	2030+
Colorado:	Ft. Logan	2,976	58,030	469	53	500	1,808	2021
	Ft. Lyon	50	1,703	--	3	230	402	2030+
Florida:	Barrancas	996	24,136	385	865	74	1,498	2003
	Bay Pines	1,092	16,313	--	725	177	--	1987
	Florida	5,507	40,315	--	2	3,545	3,392	2020
	St. Augustine	--	1,230	13	--	--	--	1949
Georgia:	Marietta	56	17,058	238	--	--	--	1970
Hawaii:	NMCP	744	37,601	481	--	1,041	--	1991
Illinois:	Abraham Lincoln	1,448	1,427	--	--	4,634	3,534	2030+
	Alton	4	515	10	--	36	--	1961
	Camp Butler	527	14,449	169	8	1,293	374	2030+
	Danville	155	8,879	--	--	166	6,428	2030+
	Mound City	47	7,453	20	1	27	393	2021
	Quincy	--	563	1	--	--	--	1994
	Rock Island	625	18,280	112	808	235	1,559	2011
Indiana:	Crown Hill	--	795	--	--	--	--	1959
	Marion	191	7,040	--	--	21	3,180	2030+
	New Albany	64	6,171	84	--	264	--	1991
Iowa:	Keokuk	87	3,607	24	1	119	1,760	2030+
Kansas:	Ft. Leavenworth	127	19,126	365	6	1,197	--	1982
	Ft. Scott	133	4,317	53	93	47	182	2030+
	Leavenworth	788	25,010	--	7	585	440	2012
Kentucky:	Camp Nelson	298	9,615	41	4	191	4,688	2027
	Cave Hill	3	5,863	3	--	--	--	1939
	Danville	--	393	1	--	--	--	1952
	Lebanon	208	3,413	19	--	30	320	2030+
	Lexington	--	1,389	--	--	--	--	1939
	Mill Springs	59	2,424	19	2	26	50	2022
	Zachary Taylor	72	11,102	385	--	--	--	1989
Louisiana:	Alexandria	41	7,733	100	--	14	--	1995
	Baton Rouge	3	5,079	20	--	258	--	1960
	Port Hudson	305	9,373	22	1	766	1,593	2026
Maine:	Togus	--	5,371	--	--	--	--	1961
Maryland:	Annapolis	6	2,941	19	--	4	--	1961
	Baltimore	287	36,075	1,690	--	374	--	1970
	Loudon Park	1	6,497	--	--	--	--	1970
Massachusetts:	Massachusetts	2,143	25,699	--	2,415	754	18,808	2030+
Michigan:	Ft. Custer	1,238	13,030	12	773	3,832	13,510	2030+
Minnesota:	Ft. Snelling	4,265	125,903	7,551	3,089	2,029	5,947	2025

See footnotes at end of table.

TABLE 19, continued: National Cemetey Locations, Interments, and Gravesite Status, September 30, 2000

National Cemetery		FY 2000 Interments	Committed Gravesites: Used Cumulative (1)	Committed Gravesites: Reserved	Committed Gravesites: Set Aside (Adjacent)	Available Gravesites: Cremains (2)	Available Gravesites: Casket (3)	Depletion Date For Full-Casket Gravesites (4)
Mississippi:	Biloxi	672	10,867	386	736	132	1,115	2015
	Corinth	47	6,764	11	--	35	6,706	2030+
	Natchez	90	6,108	19	--	20	260	2004
Missouri:	Jefferson Barracks	4,180	111,966	707	54	1,584	14,208	2010
	Jefferson City	6	1,637	14	--	--	--	1969
	Springfield	192	11,187	90	--	1,858	--	1995
Nebraska:	Ft. McPherson	213	5,956	31	6	2	551	2019
New Jersey:	Beverly	418	40,626	2,138	--	1,367	--	1966
	Finn's Point	7	2,780	--	--	73	--	1963
New Mexico:	Ft. Bayard	85	2,982	--	--	422	1,839	2026
	Santa Fe	1,364	27,377	248	26	424	1,315	2012
New York:	Bath	183	11,734	--	4	167	3,150	2017
	Calverton	7,137	136,575	--	18,250	6,710	51,473	2030+
	Cypress Hills	4	18,586	48	--	48	--	1954
	Long Island	1,924	241,160	8,553	--	28	--	1978
	Saratoga	663	1,020	--	13	1,726	3,216	2030+
	Woodlawn	130	7,594	130	--	73	141	2002
North Carolina:	New Bern	23	6,737	60	--	--	--	1992
	Raleigh	21	5,224	57	152	--	--	1990
	Salisbury	371	18,100	38	3	--	303	2030+
	Wilmington	25	5,132	39	--	--	--	1987
Ohio:	Dayton	797	35,833	1	12	838	1,115	2022
	Ohio Western Reserve	366	356	--	--	1,941	2,710	2030+
Oklahoma:	Ft. Gibson	514	13,495	60	--	555	2,924	2030+
Oregon:	Eagle Point	621	7,882	--	7	240	1,022	2026
	Roseburg	46	2,537	--	--	95	--	1981
	Willamette	3,388	92,219	1,248	13	8,088	25,640	2015
Pennsylvania:	Indiantown Gap	1,584	16,190	--	8	3,643	13,935	2030+
	Philadelphia	52	10,663	27	--	28	--	1962
Puerto Rico:	Puerto Rico	1,475	30,565	819	2	401	2,277	2020
South Carolina:	Beaufort	353	15,361	125	5	130	1,459	2012
	Florence	252	6,958	38	--	4	1,056	2030+
South Dakota:	Black Hills	594	13,195	262	12	371	3,691	2030+
	Ft. Meade	--	188	--	--	--	--	1948
	Hot Springs	1	1,481	--	--	--	--	1964
Tennessee:	Chattanooga	954	33,955	261	--	830	6,650	2012
	Knoxville	38	8,199	112	--	392	--	1990
	Memphis	242	36,219	330	--	328	--	1992
	Mountain Home	294	9,809	--	--	439	47	2025
	Nashville	177	31,074	255	826	31	--	1993
Texas:	Dallas-Ft. Worth	1,235	1,206	--	16	1,537	11,309	2030+
	Ft. Bliss	1,192	30,103	938	1	175	4,285	2021
	Ft. Sam Houston	3,339	77,122	2,114	42	325	660	2011
	Houston	2,274	41,429	27	11	3,762	17,562	2030+
	Kerrville	--	461	--	--	--	--	1957
	San Antonio	--	3,010	23	--	317	--	1961
Virginia:	Alexandria	2	4,074	21	--	76	--	1967
	Balls Bluff	--	25	--	--	--	--	1889
	City Point	19	5,545	54	--	--	--	1971
	Cold Harbor	--	979	--	--	--	--	1970
	Culpeper	227	7,635	9	--	38	240	2003
	Danville	1	2,160	20	--	27	--	1970
	Ft. Harrison	4	1,123	2	--	32	--	1967
	Glendale	6	1,304	--	--	18	--	1970

See footnotes at end of table.

TABLE 19, continued: National Cemetery Locations, Interments, and Gravesite Status, September 30, 2000

National Cemetery		FY 2000 Interments	Committed Gravesites: Used Cumulative (1)	Committed Gravesites: Reserved	Committed Gravesites: Set Aside (Adjacent)	Available Gravesites: Cremains (2)	Available Gravesites: Casket (3)	Depletion Date For Full-Casket Gravesites (4)
	Hampton	107	25,608	269	827	--	--	1993
	Hampton (VAMC)	--	22	--	--	--	--	1899
	Quantico	1,218	13,294	--	34	2,667	14,549	2030+
	Richmond	12	7,419	134	--	22	--	1963
	Seven Pines	--	1,138	--	--	5	--	1964
	Staunton	--	848	4	--	4	--	1983
	Winchester	11	5,162	21	--	1	--	1969
Washington:	Tahoma	1,831	5,311	--	71	1,140	7,194	2025
West Virginia:	Grafton	1	2,101	30	--	--	1	1961
	West Virginia	224	1,704	--	--	120	669	2030+
Wisconsin:	Wood	213	33,813	--	--	46	--	1997

(1) Includes all type of gravesites including columbaria niches.

(2) In-ground sites suitable for cremated remains and columbaria niches.

(3) Full-casket gravesites available in developed acreage. Excludes reserved, adjacent gravesites set aside, and potential sites in undeveloped acreage.

(4) Cemeteries indicated as depleted may continue to inter eligible family members in already occupied gravesites, in previously reserved gravesites, and in gravesites suitable for cremated remains.

SOURCE: National Cemetery Administration data from the Burial Operations Support System (BOSS).

CONTACT: Jack Gaegler at (202) 273-5167, NCA, Chief, Planning Division (402A2)

Table 20 Construction Status Summary, FY 2000

	Total		*Completed*		*Under Construction*		*Authorized but not Under Construction*	
Description	*No.*	*Estimated Construction Cost (Millions)*	*No.*	*Estimated Construction Cost (Millions)*	*No.*	*Estimated Construction Cost (Millions)*	*No.*	*Estimated Construction Cost (Millions)*
Totals..	52	$1,246.36	18	$480.49	27	$664.28	7	$101.59
Replacement/Relocation Hospitals............	1	62.05	0	0.00	1	62.05	0	0.00
Modernizations..	4	466.56	2	211.16	2	255.40	0	0.00
Staff Offices	0	0.00	0	0.00	0	0.00	0	0.00
Nursing Home Care Units	0	0.00	0	0.00	0	0.00	0	0.00
Research and Education	0	0.00	0	0.00	0	0.00	0	0.00
Domiciliaries...	0	0.00	0	0.00	0	0.00	0	0.00
Parking Facilities.......................................	4	37.24	3	28.25	1	8.99	0	0.00
National Cemeteries.................................	7	71.52	4	46.64	3	24.88	0	0.00
Other Improvements................................	36	608.99	9	194.44	20	312.96	7	101.59
Veterans Benefits......................................	0	0.00	0	0.00	0	0.00	0	0.00

SOURCE: Construction Management Information System (CMIS)
CONTACT: Beverly Tyler at (202) 565-4531, Office of Facilities Management (182B)

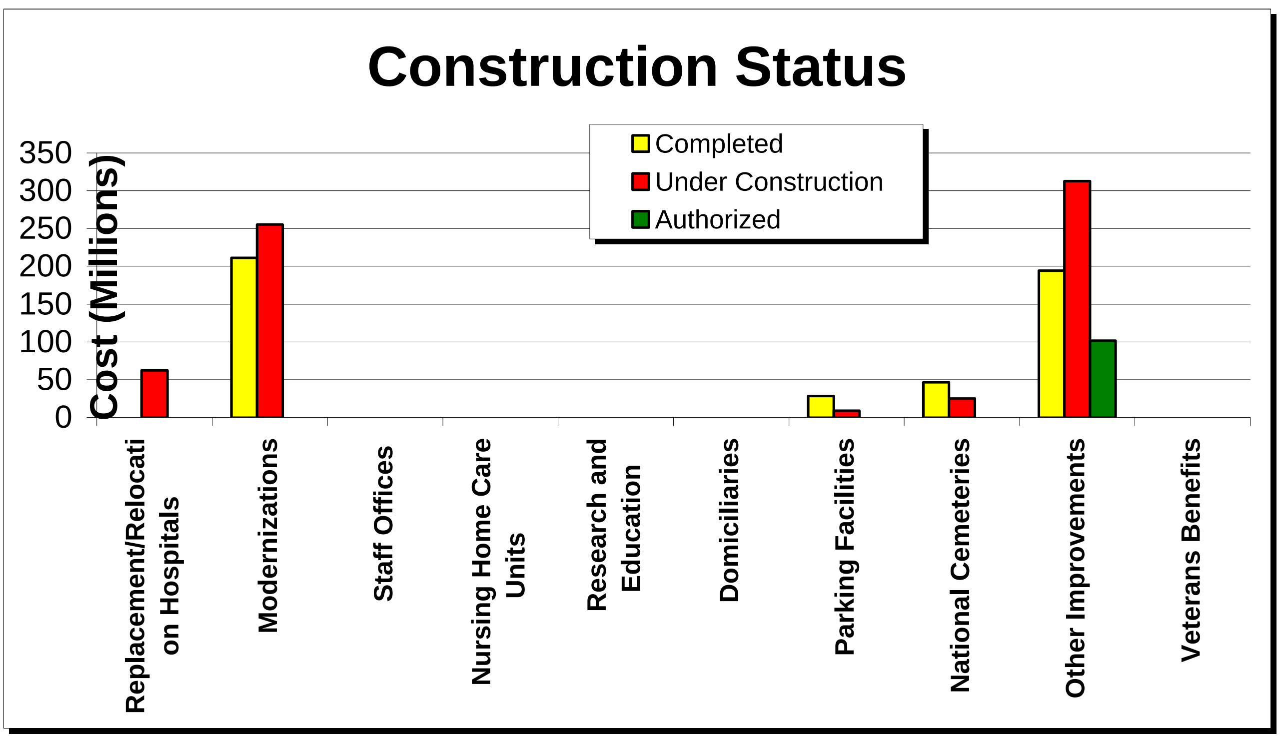


Table 21: Full-Time, Part-Time, and Intermittent Employees by FACILITY TYPE, FY 1998-2000

Facility Type	*September 30, 2000*	*September 30, 1999*	*September 30, 1998*
Total	219,547	219,245	240,398
Central Office	3,402	3,379	3,326
Field	216,145	215,866	237,072
Medical Centers (1)	112,351	126,311	156,993
Domiciliary (2)	408	394	403
Health Care Systems	77,428	64,301	54,143
Regional Offices and HRM Area Offices (3)	9,802	9,413	9,283
Regional Office and Medical Centers (VAMROCs) (4)	5,460	5,321	6,034
Regional Office and Insurance Centers	914	958	964
Independent Outpatient Clinics and Health Care Centers (5)	4,682	4,968	5,365
Automation Center, Benefits Delivery Centers, and Systems Development Centers	1,042	1,057	1,020
Shared Service Center	249	126	84
National Cemeteries and Memorial Service Networks	1,297	1,307	1,207
National Acquisition and Distribution Centers (6)	227	232	232
Office of Information Service Center	734		
Miscellaneous (7)	1,551	1,478	1,344

(1) Includes medical centers with domiciliaries.

(2) Includes Independent domiciliary at White City, OR.

(3) Includes Manila (Philippine Islands) independent outpatient clinic.

(4) Includes Anchorage Health Care Systems and Regional Office

(5) Includes Southern California System of Clinics.

(6) Includes National Acquisition Center, Service and Distribution Center, Denver Distribution Center, and Asset Management Service.

(7) Includes Prosthetic Assessment Information Center, Health Administration Center, Finance Centers, Veterans Canteen Service Regional Offices, Veterans Canteen Service Central Office, Debt Management Center, Records Management Center, Employee Education Business Center, Consolidated Mail Outpatient Pharmacies, and Mortgage Loan Accounting Center.

SOURCE: Personnel and Accounting Integrated Data System (PAID) administrative and payroll system data files

CONTACT: Gary King at (202) 273-9807, Office of the Deputy Assistant Secretary for Human Resources Management (05)

Table 22: Estimated Selected Expenditures by State, FY 2000

State	Total of Selected Expenditures ($1000)	Readjustment Benefits: Total Readjustment Benefits ($1000)	Education Assistance: Post-Vietnam Conflict (Chapter 32): Trained During Fiscal Year	Post-Vietnam Conflict (Chapter 32): Amount ($1000)	Montgomery GI Bill: Active Duty (Chapter 30): Trained During Fiscal Year	Active Duty (Chapter 30): Amount ($1000)	Selected Reserve (Chapter 1606): Trained During Fiscal Year (3)	Selected Reserve (Chapter 1606): Amount ($1000)
U.S. Total (1)	$ 47,234,128	1,629,436	2,333	$ 20,442	264,804	$ 922,929	65,732	$ 104,525
Alabama	924,547	37,132	43	306	4,811	19,837	1,881	2,246
Alaska	156,429	6,039	8	165	1,022	3,136	152	355
Arizona	947,804	45,477	56	693	9,242	25,170	949	2,850
Arkansas	728,469	17,949	15	136	2,007	8,813	1,017	998
California	4,127,389	153,487	256	1,750	31,407	100,697	4,330	11,402
Colorado	877,688	45,591	54	738	7,049	22,065	592	2,499
Connecticut	418,977	11,519	21	160	1,580	6,860	958	777
Delaware	126,048	4,346	6	56	591	1,990	243	225
District of Columbia	1,334,637	3,968	13	18	748	1,001	120	113
Florida	3,079,070	105,934	146	1,207	19,733	62,059	2,556	7,027
Georgia	1,295,633	57,792	68	1,168	10,087	36,844	1,558	4,172
Hawaii	220,914	12,787	18	217	1,935	6,762	774	766
Idaho	193,735	10,335	12	105	1,621	6,085	534	689
Illinois	1,861,337	55,068	98	878	10,347	37,071	3,400	4,198
Indiana	659,169	25,223	43	245	4,020	13,962	1,153	1,581
Iowa	438,918	14,998	23	232	2,053	9,380	1,344	1,067
Kansas	628,496	17,547	22	260	2,857	11,222	954	1,271
Kentucky	676,576	25,128	29	411	3,289	12,076	1,088	1,367
Louisiana	799,082	31,271	24	259	4,156	19,580	2,656	2,217
Maine	311,394	9,249	12	83	953	3,379	242	383
Maryland	727,394	30,062	66	660	6,400	14,894	1,133	1,687
Massachusetts	1,198,586	25,318	55	206	2,916	11,627	1,539	1,317
Michigan	1,063,441	32,841	87	414	7,046	20,437	1,227	2,314
Minnesota	724,920	26,129	54	153	3,116	14,342	1,900	1,624
Mississippi	637,180	16,989	14	142	2,084	10,466	1,502	1,185
Missouri	950,711	33,920	65	449	5,161	18,230	1,360	2,069
Montana	174,642	8,721	10	23	1,013	4,283	349	485
Nebraska	352,584	13,532	19	147	2,368	8,239	840	933
Nevada	347,164	12,272	11	93	2,307	6,641	236	752
New Hampshire	194,710	7,487	11	8	816	3,013	200	341
New Jersey	763,756	19,647	40	157	2,721	10,570	1,224	1,197
New Mexico	442,543	17,000	22	191	2,971	10,102	432	1,144
New York	2,574,729	51,748	115	456	6,922	27,084	2,843	3,067
North Carolina	1,329,372	58,817	61	934	9,355	35,583	1,501	4,029
North Dakota	121,650	7,535	9	32	822	4,460	816	505
Ohio	1,601,928	58,161	95	506	8,761	30,245	2,508	3,425
Oklahoma	843,046	34,623	29	278	5,120	18,605	1,869	2,112
Oregon	722,317	27,553	36	369	3,625	12,799	664	1,449
Pennsylvania	1,884,321	47,165	95	373	7,029	28,683	3,025	3,248
Rhode Island	187,924	4,754	12	9	637	2,126	299	241
South Carolina	949,932	32,709	35	386	4,556	17,082	1,246	1,934
South Dakota	244,524	9,919	8	95	745	4,772	797	540
Tennessee	1,435,847	36,305	40	521	5,117	18,790	1,024	2,128
Texas	3,745,071	138,994	147	1,631	25,289	80,487	3,514	9,114
Utah	266,564	12,416	14	64	1,829	7,472	1,209	851
Vermont	125,951	2,645	4	16	286	1,221	182	138
Virginia	1,226,747	63,611	83	1,686	12,500	37,235	1,663	4,216
Washington	1,128,778	62,309	67	835	8,596	31,394	1,105	3,555
West Virginia	569,598	14,224	10	113	1,221	6,227	839	705
Wisconsin	772,889	27,019	44	353	3,375	15,431	1,979	1,747
Wyoming	119,000	4,169	5	54	592	2,402	206	272
Puerto Rico	637,005	17,394	18	43	654	5,851	1,363	663

Table 22 (continued): Estimated Selected Expenditures by State, FY 2000

State	Readjustment Benefits (continued): Education Assistance (continued): Dependents Educational Assistance (Title 38, U.S.C., Ch. 35): Trained During FY: Sons & Daughters	Widow(er)s & Spouses	Amount ($1000)	Vocational Rehabilitation (Title 38, U.S.C., Ch. 31): Trained During Fiscal Yr. (2)	Amount ($1000)	Automobiles and other Conveyances for Disabled Veterans ($1000)	Specially Adapted Housing for Disabled Veterans ($1000)	Insurance and Indemnities Amount ($1000)	Hospital Domiciliary and other Construction Amount ($1000)	Medical (4) Services and Administrative Costs Amount ($1000)
U.S. Total (1)	36,939	5,704	$ 132,732	NA	$ 395,727	$ 35,038	$ 18,044	$ 1,959,685	$ 349,414	$ 22,012,495
Alabama	982	172	3,697	--	10,045	743	258	26,677	2,712	356,897
Alaska	82	17	297	--	2,047	39	--	2,607	14	72,807
Arizona	819	172	2,821	--	12,446	1,496	--	43,053	12,784	380,607
Arkansas	738	109	2,880	--	4,564	377	180	17,037	1,172	310,759
California	3,243	543	10,203	--	24,163	3,750	1,522	208,829	45,942	1,962,240
Colorado	663	115	2,496	--	17,037	568	188	31,418	12,452	429,232
Connecticut	224	13	758	--	2,661	132	172	31,896	2,969	213,985
Delaware	104	12	258	--	1,753	64	--	6,007	2,051	57,036
District of Columbia	98	6	182	--	2,639	15	--	3,871	2,710	1,271,233
Florida	2,651	470	8,986	--	22,146	2,876	1,632	179,306	16,028	1,151,395
Georgia	1,320	224	5,069	--	9,176	953	409	43,731	7,642	472,018
Hawaii	182	37	616	--	4,228	155	43	16,018	6,353	84,671
Idaho	186	31	733	--	2,557	122	43	8,282	1,041	65,328
Illinois	819	88	2,844	--	8,962	600	516	82,984	14,990	1,238,129
Indiana	566	66	1,971	--	6,861	604	--	29,428	6,948	271,556
Iowa	266	31	970	--	2,793	342	215	23,873	984	222,770
Kansas	424	67	1,640	--	3,056	99	--	19,502	5,327	389,712
Kentucky	637	88	2,411	--	8,011	486	367	19,154	3,232	251,516
Louisiana	807	94	3,098	--	5,030	591	495	23,503	6,774	339,496
Maine	431	75	1,657	--	3,152	157	438	10,017	106	92,777
Maryland	549	81	1,835	--	10,344	642	--	42,407	6,917	291,052
Massachusetts	715	58	2,130	--	9,377	352	309	53,971	3,902	615,919
Michigan	815	105	2,763	--	5,935	375	602	53,943	10,126	485,300
Minnesota	602	69	2,311	--	5,194	1,947	559	39,432	1,264	344,841
Mississippi	498	85	1,904	--	2,575	287	430	14,305	3,560	295,837
Missouri	692	131	2,800	--	9,483	665	223	38,047	5,820	444,642
Montana	182	37	763	--	3,130	35	--	7,800	--	55,899
Nebraska	356	47	1,379	--	2,547	151	137	14,089	4,882	159,883
Nevada	193	56	611	--	3,867	265	43	13,259	373	150,930
New Hampshire	194	35	701	--	2,630	623	172	10,210	885	55,574
New Jersey	447	55	1,723	--	5,369	502	129	69,155	6,050	267,309
New Mexico	535	83	1,692	--	3,022	548	301	13,567	1,004	177,964
New York	1,488	161	4,987	--	15,073	780	301	132,135	22,196	1,413,739
North Carolina	1,497	268	6,227	--	9,798	1,636	610	47,064	13,017	440,131
North Dakota	119	17	508	--	1,905	82	43	5,085	1,081	59,042
Ohio	974	128	3,637	--	17,406	2,364	578	74,659	15,337	746,331
Oklahoma	1,138	231	4,425	--	8,131	599	473	21,816	3,039	239,539
Oregon	518	89	1,847	--	10,473	530	86	24,584	3,298	329,950
Pennsylvania	1,170	121	3,902	--	10,006	910	43	102,754	25,158	871,792
Rhode Island	171	19	445	--	1,769	36	129	8,372	915	79,637
South Carolina	868	121	3,483	--	9,047	323	454	26,267	4,457	481,140
South Dakota	127	22	510	--	3,747	84	172	6,073	2,847	143,109
Tennessee	839	117	3,155	--	10,748	620	344	29,223	25,764	812,122
Texas	3,104	514	10,905	--	31,135	3,324	2,398	111,239	18,204	1,698,512
Utah	369	30	1,143	--	2,622	177	86	12,011	632	134,714
Vermont	75	9	202	--	951	30	86	4,503	527	68,397
Virginia	1,320	226	4,640	--	14,180	1,045	610	57,255	6,015	409,480
Washington	1,072	229	4,330	--	19,798	1,207	1,190	43,363	3,805	383,615
West Virginia	366	51	1,524	--	4,741	253	661	10,626	2,259	302,532
Wisconsin	611	66	2,345	--	6,363	427	352	41,463	3,579	352,784
Wyoming	93	13	317	--	1,036	46	43	3,815	268	66,616
Puerto Rico	1,747	108	6,548	--	4,015	187	86	4,301	3,648	245,133

Table 22 (continued): Estimated Selected Expenditures by State, FY 2000

	Compensation and Pension (C&P)								
	Living and Deceased Veterans							*Living Veterans*	
	Total		*Burial*	*Service-Connected*		*Nonservice-Connected*		*Total*	
State	*Number*	*Amount ($1000)*	*Benefits ($1000)*	*Number*	*Amount ($1000)*	*Number*	*Amount ($1000)*	*Number*	*Amount ($1000)*
U.S. Total (1)................	3,153,092	$ 21,283,100	$ 46,311	2,564,531	$ 18,444,838	588,561	$ 2,791,951	2,618,261	$ 17,238,854
Alabama............................	77,491	501,128	1,158	56,615	396,698	20,876	103,272	59,515	383,030
Alaska...............................	10,591	74,962	79	10,194	72,326	397	2,557	10,030	69,483
Arizona.............................	63,497	465,883	721	56,268	427,468	7,229	37,694	54,698	380,314
Arkansas...........................	46,991	381,552	752	34,659	324,213	12,332	56,587	36,728	307,035
California...........................	265,973	1,756,891	3,033	226,407	1,563,869	39,566	189,990	223,505	1,389,961
Colorado...........................	52,962	358,994	653	47,766	332,225	5,196	26,116	46,069	295,330
Connecticut......................	26,182	158,606	330	22,404	145,475	3,778	12,802	22,501	132,532
Delaware..........................	8,933	56,607	403	7,610	51,014	1,323	5,190	7,515	45,666
District of Columbia...........	7,420	52,856	72	5,250	41,496	2,170	11,288	5,957	41,300
Florida...............................	245,384	1,626,407	2,608	213,472	1,477,204	31,912	146,595	208,774	1,310,906
Georgia.............................	109,819	714,450	1,189	87,840	617,922	21,979	95,339	87,752	552,232
Hawaii...............................	13,944	101,085	243	12,855	94,931	1,089	5,910	12,209	84,029
Idaho.................................	15,590	108,750	239	13,633	97,602	1,957	10,909	13,766	92,182
Illinois................................	79,306	470,166	1,395	60,632	375,514	18,674	93,257	66,662	388,102
Indiana..............................	52,023	326,014	676	42,778	282,963	9,245	42,375	44,193	271,081
Iowa..................................	26,500	176,293	456	20,290	143,893	6,210	31,944	21,995	146,905
Kansas..............................	29,974	196,408	373	24,424	168,887	5,550	27,148	25,148	160,003
Kentucky...........................	54,725	377,545	684	39,812	306,758	14,913	70,103	43,264	302,866
Louisiana..........................	59,484	398,037	644	38,898	298,841	20,586	98,553	44,773	309,352
Maine................................	23,257	199,245	789	18,492	174,007	4,765	24,449	19,968	173,455
Maryland...........................	54,853	356,955	498	47,086	320,248	7,767	36,209	45,993	283,187
Massachusetts.................	74,966	499,476	1,304	65,612	460,515	9,354	37,658	64,467	413,518
Michigan...........................	82,231	481,231	1,077	67,019	403,149	15,212	77,005	70,036	400,092
Minnesota.........................	48,328	313,254	1,131	38,857	270,536	9,471	41,586	40,871	264,345
Mississippi........................	43,255	306,490	699	28,531	240,967	14,724	64,824	31,928	238,344
Missouri............................	62,039	428,282	1,099	47,610	353,533	14,429	73,650	50,757	346,638
Montana............................	14,125	102,223	269	11,704	89,604	2,421	12,350	12,508	89,332
Nebraska..........................	21,560	160,198	244	17,701	137,673	3,859	22,281	18,367	135,163
Nevada.............................	26,475	170,329	697	23,121	152,235	3,354	17,397	23,502	142,105
New Hampshire................	16,678	120,553	264	14,906	111,783	1,772	8,507	14,699	102,850
New Jersey.......................	64,467	401,594	1,034	56,370	367,091	8,097	33,470	54,882	325,581
New Mexico......................	29,077	233,008	309	23,980	206,427	5,097	26,271	24,648	195,597
New York..........................	150,648	954,911	2,161	118,267	815,639	32,381	137,110	124,699	787,063
North Carolina..................	112,921	770,343	1,618	89,535	671,818	23,386	96,907	90,172	608,798
North Dakota....................	7,824	48,908	183	6,138	40,244	1,686	8,481	6,707	41,808
Ohio..................................	114,469	707,440	1,432	90,612	590,461	23,857	115,547	95,826	581,187
Oklahoma.........................	64,107	544,029	1,076	49,339	445,664	14,768	97,289	52,575	448,997
Oregon..............................	43,324	336,931	735	35,235	287,651	8,089	48,545	37,514	287,818
Pennsylvania....................	129,050	837,451	2,249	100,916	705,223	28,134	129,979	106,105	682,963
Rhode Island....................	13,271	94,247	148	11,292	85,131	1,979	8,967	11,264	77,528
South Carolina..................	60,773	405,359	1,025	46,157	336,717	14,616	67,617	47,899	315,169
South Dakota...................	11,940	82,576	235	9,008	67,831	2,932	14,510	10,054	70,339
Tennessee........................	77,347	532,433	1,957	57,098	438,747	20,249	91,728	60,656	421,857
Texas................................	254,382	1,778,123	3,810	207,241	1,556,813	47,141	217,500	207,428	1,403,990
Utah..................................	16,063	106,791	202	14,207	97,939	1,856	8,650	14,109	90,081
Vermont............................	6,635	49,880	174	5,498	44,510	1,137	5,195	5,595	41,326
Virginia..............................	106,031	690,387	1,462	91,274	625,177	14,757	63,747	87,565	535,517
Washington......................	88,124	635,686	887	80,263	593,805	7,861	40,994	77,598	535,160
West Virginia....................	30,268	239,956	653	21,469	191,887	8,799	47,416	24,325	199,625
Wisconsin.........................	51,352	348,044	1,083	42,538	302,571	8,814	44,389	44,691	298,796
Wyoming..........................	6,463	44,132	96	5,648	39,945	815	4,091	5,799	38,316
Puerto Rico.......................	45,771	366,529	854	21,545	241,772	24,226	123,903	33,229	296,668

Table 22 (continued): Estimated Selected Expenditures by State, FY 2000

	Compensation and Pension (C&P)--Continued									
	Living Veterans-Continued				*Deceased Veterans*					
	Service-Connected		*Nonservice-Connected*		*Total*		*Service-Connected*		*Nonservice-Connected*	
State	*Number*	*Amount ($1000)*	*Number*	*Amount ($1000)*	*Number*	*Amount ($1000)*	*Number*	*Amount ($1000)*	*Number*	*Amount ($1000)*
U.S. Total (1)................	2,270,841	$ 15,083,358	347,420	$ 2,155,495	534,831	$ 3,997,935	293,690	$ 3,361,479	241,141	$ 636,455
Alabama...........................	49,269	313,591	10,246	69,438	17,976	116,941	7,346	83,107	10,630	33,834
Alaska...............................	9,707	67,167	323	2,316	561	5,400	487	5,160	74	240
Arizona.............................	49,695	349,145	5,003	31,168	8,799	84,849	6,573	78,323	2,226	6,526
Arkansas..........................	29,560	264,331	7,168	42,704	10,263	73,765	5,099	59,883	5,164	13,883
California...........................	197,936	1,237,196	25,569	152,765	42,468	363,897	28,471	326,673	13,997	37,224
Colorado...........................	42,772	273,952	3,297	21,377	6,893	63,011	4,994	58,272	1,899	4,738
Connecticut.......................	20,448	122,647	2,053	9,885	3,681	25,744	1,956	22,828	1,725	2,917
Delaware..........................	6,814	41,854	701	3,811	1,418	10,538	796	9,160	622	1,379
District of Columbia...........	4,544	32,151	1,413	9,149	1,463	11,484	706	9,345	757	2,139
Florida...............................	187,604	1,192,619	21,170	118,288	36,610	312,892	25,868	284,585	10,742	28,307
Georgia.............................	76,164	484,519	11,588	67,712	22,067	161,029	11,676	133,403	10,391	27,626
Hawaii...............................	11,493	79,280	716	4,749	1,735	16,812	1,362	15,651	373	1,161
Idaho.................................	12,340	82,714	1,426	9,468	1,824	16,329	1,293	14,888	531	1,441
Illinois................................	55,037	313,634	11,625	74,468	12,644	80,669	5,595	61,880	7,049	18,789
Indiana..............................	38,717	237,826	5,476	33,255	7,830	54,257	4,061	45,137	3,769	9,120
Iowa..................................	18,280	120,800	3,715	26,104	4,505	28,932	2,010	23,093	2,495	5,840
Kansas.............................	21,705	137,962	3,443	22,041	4,826	36,032	2,719	30,925	2,107	5,107
Kentucky...........................	34,778	250,364	8,486	52,502	11,461	73,995	5,034	56,394	6,427	17,601
Louisiana..........................	33,455	237,970	11,318	71,382	14,711	88,041	5,443	60,870	9,268	27,171
Maine................................	16,673	152,781	3,295	20,673	3,289	25,001	1,819	21,226	1,470	3,776
Maryland...........................	41,538	255,674	4,455	27,512	8,860	73,270	5,548	64,574	3,312	8,697
Massachusetts..................	59,205	383,867	5,262	29,651	10,499	84,655	6,407	76,648	4,092	8,007
Michigan...........................	60,826	337,765	9,210	62,327	12,195	80,063	6,193	65,384	6,002	14,679
Minnesota.........................	35,395	231,053	5,476	33,292	7,457	47,777	3,462	39,483	3,995	8,295
Mississippi........................	24,171	191,683	7,757	46,662	11,327	67,447	4,360	49,284	6,967	18,163
Missouri............................	42,056	289,752	8,701	56,886	11,282	80,545	5,554	63,781	5,728	16,764
Montana............................	10,749	78,752	1,759	10,580	1,617	12,622	955	10,852	662	1,770
Nebraska..........................	15,829	116,238	2,538	18,925	3,193	24,791	1,872	21,435	1,321	3,356
Nevada.............................	20,907	126,968	2,595	15,137	2,973	27,527	2,214	25,267	759	2,261
New Hampshire................	13,550	95,688	1,149	7,162	1,979	17,440	1,356	16,095	623	1,345
New Jersey.......................	50,707	300,895	4,175	24,686	9,585	74,980	5,663	66,196	3,922	8,784
New Mexico......................	21,279	174,572	3,369	21,025	4,429	37,102	2,701	31,855	1,728	5,247
New York..........................	106,800	682,613	17,899	104,449	25,949	165,687	11,467	133,026	14,482	32,661
North Carolina..................	77,865	541,111	12,307	67,687	22,749	159,926	11,670	130,707	11,079	29,219
North Dakota....................	5,650	35,008	1,057	6,801	1,117	6,916	488	5,236	629	1,680
Ohio..................................	81,895	490,699	13,931	90,488	18,643	124,821	8,717	99,762	9,926	25,059
Oklahoma..........................	42,795	368,845	9,780	80,152	11,532	93,956	6,544	76,819	4,988	17,137
Oregon..............................	31,792	247,522	5,722	40,295	5,810	48,378	3,443	40,129	2,367	8,249
Pennsylvania....................	90,402	583,585	15,703	99,379	22,945	152,239	10,514	121,638	12,431	30,600
Rhode Island....................	10,045	70,142	1,219	7,386	2,007	16,571	1,247	14,989	760	1,581
South Carolina..................	39,973	266,831	7,926	48,338	12,874	89,165	6,184	69,886	6,690	19,279
South Dakota....................	8,173	58,489	1,881	11,850	1,886	12,002	835	9,341	1,051	2,660
Tennessee........................	49,674	356,286	10,982	65,571	16,691	108,618	7,424	82,461	9,267	26,157
Texas................................	179,879	1,237,824	27,549	166,166	46,954	370,323	27,362	318,988	19,592	51,334
Utah..................................	12,919	82,944	1,190	7,137	1,954	16,507	1,288	14,994	666	1,513
Vermont............................	4,871	37,081	724	4,246	1,040	8,379	627	7,430	413	949
Virginia..............................	79,545	489,403	8,020	46,114	18,466	153,407	11,729	135,774	6,737	17,633
Washington......................	72,290	500,813	5,308	34,347	10,526	99,639	7,973	92,992	2,553	6,647
West Virginia....................	18,877	162,414	5,448	37,212	5,943	39,678	2,592	29,473	3,351	10,205
Wisconsin..........................	38,997	261,542	5,694	37,254	6,661	48,165	3,541	41,030	3,120	7,135
Wyoming..........................	5,196	34,794	603	3,522	664	5,719	452	5,151	212	568
Puerto Rico.......................	18,500	207,123	14,729	89,545	12,542	69,007	3,045	34,649	9,497	34,358

See Table 22 notes on next page.

Table 22 Notes:

(1) "U.S. Total" does not include Puerto Rico.
(2) Vocational Rehabilitation (Title 38, U.S.C., Ch. 31) data on the number of trainees at the state level is not available.
(3) Data are as reported by station of jurisdiction which may report for more than one state.
(4) Medical expenditures for the states of CA, IL, KS, MA, SC, TN, and TX include costs of pharmaceuticals distributed nationwide by Consolidated M Pharmacies (CMOP) located in Los Angeles, CA; Hines, IL; Leavenworth, KS; Bedford, MA; Charleston, SC; Murfreesboro, TN, and, Dallas, TX.

SOURCE: C&P expenditures for the 50 states and D.C. were derived from the Federal Assistance Awards Data System (FAADS) and are gross expenditures. Education expenditures are from COIN EDU 666. "Insurance and Indemnities Amount" data for the 50 states and D.C. are statistical estimates. Other dollar estimates are derived from VA accounting reports.

CONTACT: Henry Caplan at (202) 273-5124, Office of Planning and Analysis (008)

Table 23: Obligated Dollars and FTE by Business Line, FY 1996-2000

	FY 2000		FY 1999		FY 1998		FY 1997		FY 1996	
Business Lines (1)	Obligations ($000's)	FTE (2)	Obligations ($000's)	FTE (2)	Obligations ($000's)	FTE (2)	Obligations ($000's)	FTE (2)	Obligations ($000's)	FTE (2)
Veterans Health Administration (VHA)										
Medical Care	19,394,871	183,396	17,859,066	186,595	17,622,981	188,705	16,775,280	192,347	16,112,145	201,610
Medical Education	938,995	0	902,467	0	932,898	0	918,680	0	898,881	0
Medical Research	800,000	3,014	779,218	2,974	724,866	2,758	647,760	2,957	591,858	3,250
Veterans Benefits Administration (VBA)										
Benefits	22,053,104	0	21,111,903	0	20,241,512	0	19,352,077	0	18,531,799	0
Administration	593,087	7,120	549,091	6,841	491,040	6,770	494,596	6,931	208,582	4,364
Total Compensation & Pension	22,646,191	7,120	21,660,994	6,841	20,732,552	6,770	19,846,673	6,931	18,740,381	4,364
Benefits	1,201,560	0	1,208,749	0	890,838	0	914,314	0	923,782	0
Administration	66,092	781	70,126	849	65,968	927	72,145	1,051	25,140	530
Total Education	1,267,652	781	1,278,875	849	956,806	927	986,459	1,051	948,922	530
Benefits	438,681	0	411,641	0	406,017	0	401,507	0	354,648	0
Administration	80,777	943	72,227	972	67,946	919	77,767	1,099	39,683	722
Total Vocational Rehabilitation	519,458	943	483,868	972	473,963	919	479,274	1,099	394,331	722
Benefits	1,866,391	0	1,810,861	0	1,676,305	0	1,367,936	0	1,984,239	0
Administration	157,478	2,058	159,636	2,108	160,952	2,075	139,321	2,254	84,355	1,748
Total Housing	2,023,869	2,058	1,970,497	2,108	1,837,257	2,075	1,507,257	2,254	2,068,594	1,748
Benefits	2,495,762	0	2,595,228	0	2,723,618	0	2,778,274	0	2,816,712	0
Administration	40,295	525	39,524	548	39,823	563	37,546	584	16,091	423
Total Insurance	2,536,057	525	2,634,752	548	2,763,441	563	2,815,820	584	2,832,803	423
National Cemetery Administration (NCA)										
Benefits	109,115	0	105,915	0	114,199	0	113,033	0	112,704	0
Administration	158,518	1,399	117,230	1,357	169,965	1,328	100,909	1,283	95,430	1,287
Total NCA	267,633	1,399	223,145	1,357	284,164	1,328	213,942	1,283	208,134	1,287
Board of Veterans Appeals	41,494	468	39,692	478	37,550	483	36,371	492	32,238	468
Office of Inspector General	45,327	354	38,280	342	32,960	322	32,432	339	31,963	365
Total Departmental Management (3)	415,871	2,563	356,599	2,483	327,414	2,216	280,874	2,170	713,932	7,088
TOTAL VA	**$50,897,418**	**202,621**	**$48,227,453**	**205,547**	**$46,726,852**	**207,066**	**$44,540,822**	**211,507**	**$43,574,182**	**221,855**

(1) Business lines shown in bold font are identified for strategic planning purposes.
(2) Total Full-time Equivalent (FTE) employment includes both permanent and part-time employment.
(3) Total Departmental Management includes dollars and FTE from the Board of Veterans' Appeals and Office of Inspector General plus other management accounts (i.e., GOE-General Administrative, VBA-GOE, Franchise Fund, and Major and Minor Construction associated with Departmental Management).

SOURCE: President's Annual Budget Submissions to Congress, various years.
CONTACT: Marie Pringle at (202) 273-5266, Office of the Assistant Secretary for Management (041C)

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Acting Assistant Secretary for Management, CFO

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“ ...to care for him who shall have borne the battle and for his widow and his orphan...”

Abraham Lincoln